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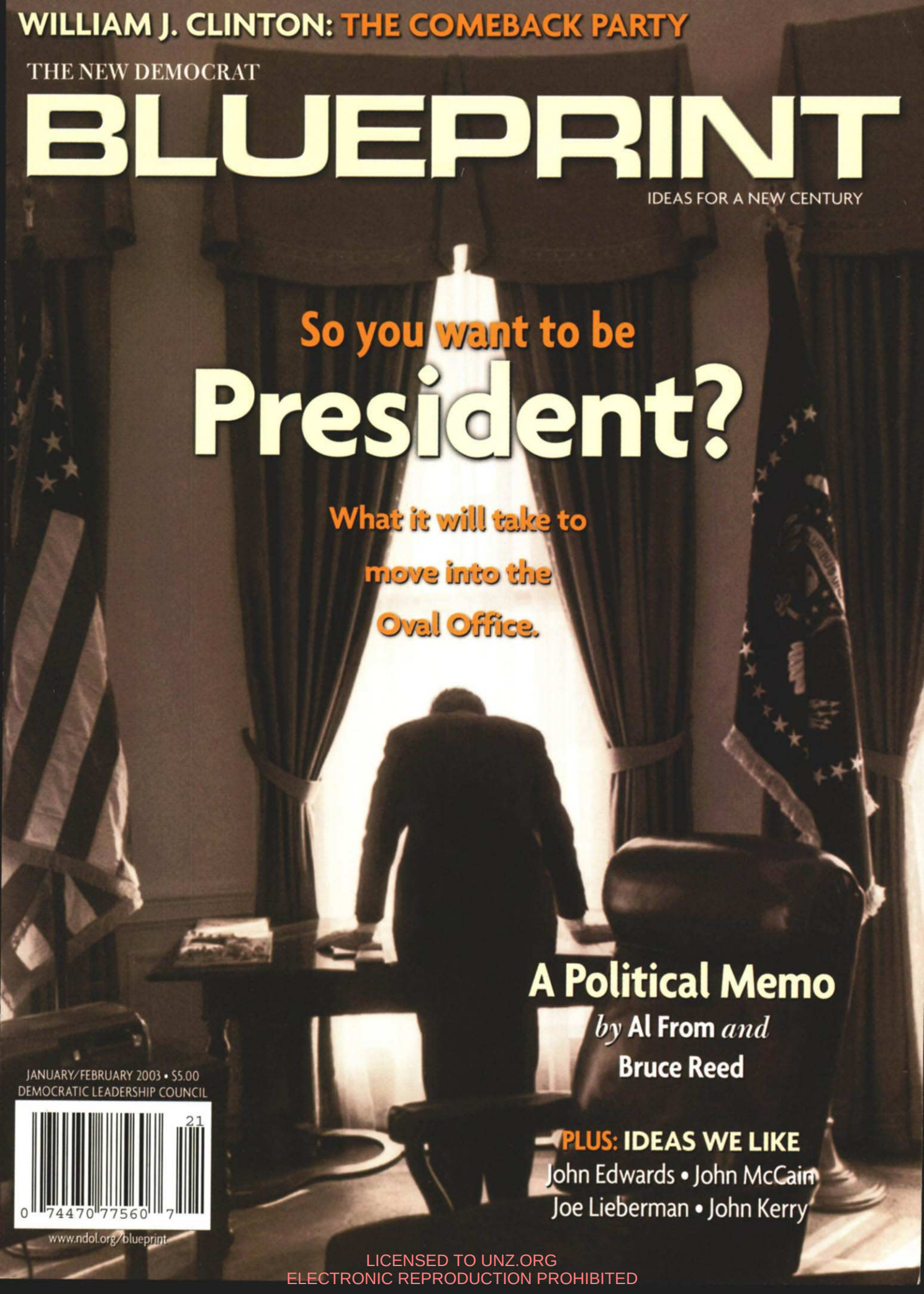

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A Political Memo

by Al From *and* Bruce Reed

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Democrats aren't dead

The year 2003 was barely under way, with Republicans running both ends of Pennsylvania Avenue, when things started going south. President Bush began pushing his ultra-conservative agenda—on judgeships, on the economy and tax cuts, on affirmative action—with a vengeance normally reserved for election campaigns. He must have been thinking that Democrats were dead.

He was wrong, of course. True, some Democrats seem to have slept through the 2002 elections. They were beaten, as former President Bill Clinton points out in these pages, on message, money, and turnout. But Clinton also notes that Democrats have been considered dead before—in 1991, for example—and came back to lead the nation to new heights of prosperity. The former commander-in-chief writes that Democrats are alive and will win again in the future—if they pay attention to the things that really concern voters, like national security.

What a Democrat must do to actually regain the White House—as early as 2004—is the subject of our cover story, a political memo to presidential candidates by Al From and Bruce Reed. Their message: Get the message right. That means a clear sense of "ideas and purpose," the true engines of political success. A Democratic program for a stronger, safer America can spur the party's urgently needed redefinition and separate today's candidates from the ghosts of Democrats past, they write. The Idea Primary of 2003 is the dress rehearsal for the Big Job Interview—the 2004 election. Strength of ideas and force of values will be the best weapons a Democrat can wield against a sitting president.

One such idea is the recommendation that a Democrat should run as "the technology president." It is put forward by Robert D. Atkinson, who argues that the Bush administration has abdicated leadership on supporting science and technology. Another idea Democrats should support, write Steven J. Nider and Marc Magee, is short-term military enlistments that would offer a chance for service to people who don't want to make the military a career choice.

One of the drastic elements of President Bush's rightward lurch is fiscal policy. His past and proposed tax cuts are undisciplined deficit drivers that make a mockery of the president's call for national resolve in the face of war and terrorism. Democrats can respond, writes Daniel Gross, not by engaging the Republicans in a tax cut bidding war, but by shifting the debate to real tax reform that rewards work and family, promotes retirement savings, and streamlines educational incentives. Paul Weinstein Jr. and José Cerda III show ways to slice the fat from Bush's bloated budget, including scrutinizing farm subsidies and cutting corporate welfare.

These are just a few of the proposals that fill the pages of this issue. Democrats who use their wilderness years to build a war chest of innovative and progressive ideas will find themselves, as From and Reed suggest, in a position to defeat even the mighty Death Star. Then everybody will know that Democrats aren't dead.

—Peter Ross Range

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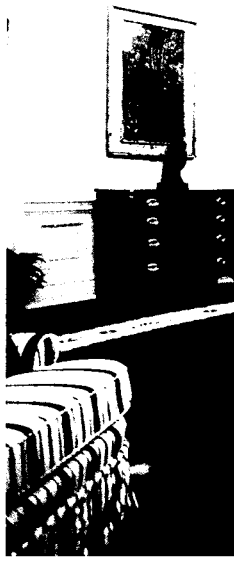

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Cover photograph of John F. Kennedy in the Oval Office, by George Tames/*The New York Times*, 1961.

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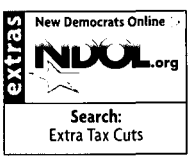

Throughout BLUEPRINT, whenever you see a box like this one, go to **"New Democrats Online"—www.ndol.org**—and use the search phrase (e.g."Extra Tax Cuts") to find related material.

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CLASS WARFARE

Bush's latest tax plan is just another scheme to redistribute income from the middle classes to the comfortably rich.

by **The Editors**

THE $670 BILLION "STIMULUS" proposal that the president made his first order of business for 2003 is sort of a microcosm—or to use language familiar to the Austin Powers fan in the Oval Office, a "mini-me"—of all Bush administration economic policies.

It's not designed to stimulate the economy as a whole—virtually all economists agree about that—and at best would mildly stimulate the stock market, creating nice headlines but not necessarily more jobs or productivity.

Its centerpiece—in this case the abolition of taxes on corporate dividends, along with an acceleration of the individual tax rate cuts enacted in 2001—is a tax cut heavily targeted to the wealthy.

It includes a few scraps for other worthy beneficiaries, including low-to-middle-income taxpayers, inflated by hype, anecdote, and phony accounting into a banquet of goodies.

It's shockingly expensive, adding another $670 billion over 10 years in red ink to a federal budget already staggering into deficits in part caused by the $2 trillion tax cuts of 2001. Moreover, the new tax cuts are permanent, not temporary.

And its transparent purpose is to create a bidding war in Washington that will lead to one of three politically pro-GOP scenarios: a competition between Republican tax cuts and Democratic spending proposals; a fight over how tax cuts should be distributed, in which the president will get what he can for the wealthy while taking credit for benefits for everybody else; or a legislative logjam that will enable the administration to shift blame if the economy continues to struggle.

The pretense that this proposal has anything to do with the economy doesn't run very deep, even in the West Wing. About halfway through a briefing on the plan, White House spokesman Ari Fleischer started defending the regressive distribution of the dividend proposal as an inevitable part of any "tax relief" initiative, as if it were still early 2001 and there were still a big sack of future budget surpluses that needed to be divvied up.

Moreover, the tax break for corporate dividends that is the centerpiece of the plan will create a serious economic undertow in the form of higher borrowing costs for state and local governments, whose tax-exempt bonds will suddenly face new competitive pressure in the marketplace. According to California Treasurer Phil Angelides, the higher costs could amount to about $155 billion over the next 10 years. Far from heeding the pleas of state and local government officials from both parties for help in meeting such important national challenges as creating a homeland security system, maintaining health care for the uninsured, and implementing the president's own education reform bill, the White House has managed to come up with a proposal that would actually make things much worse, with low-to-medium income Americans bearing the brunt of both higher taxes and lower services.

But while the short-term beneficial impact of the Bush proposal would be somewhere on the scale that leads from "little" to "nothing," the long-term costs to the public treasury, to the ability of the federal government to meet our common needs, to our ability to keep long-term interest rates low, and to the confidence of investors and consumers in the economic management of the country, are all large and real. This package is proof positive that the administration literally does not give a damn about fiscal discipline. If enacted, it would doom the president's own supposed agenda of Medicare and Social Security reform to a starvation diet.

This proposal should be dead on arrival in Congress, which should focus on putting security first for all Americans rather than securing tax breaks for a few.

That means a major expansion of funds for state and local "first responders" to terrorist attacks, as part of a comprehensive homeland defense plan.

But a security-oriented plan could also include other investments that we know will contribute to victory in the war against terrorism and a stronger country in the future, including domestic counterintelligence, better security at our ports, and energy independence.

There's no question, absolutely no question, that post-9/11 insecurity is the single most important cause of short-term and long-term uncertainty among consumers, investors, businesses,

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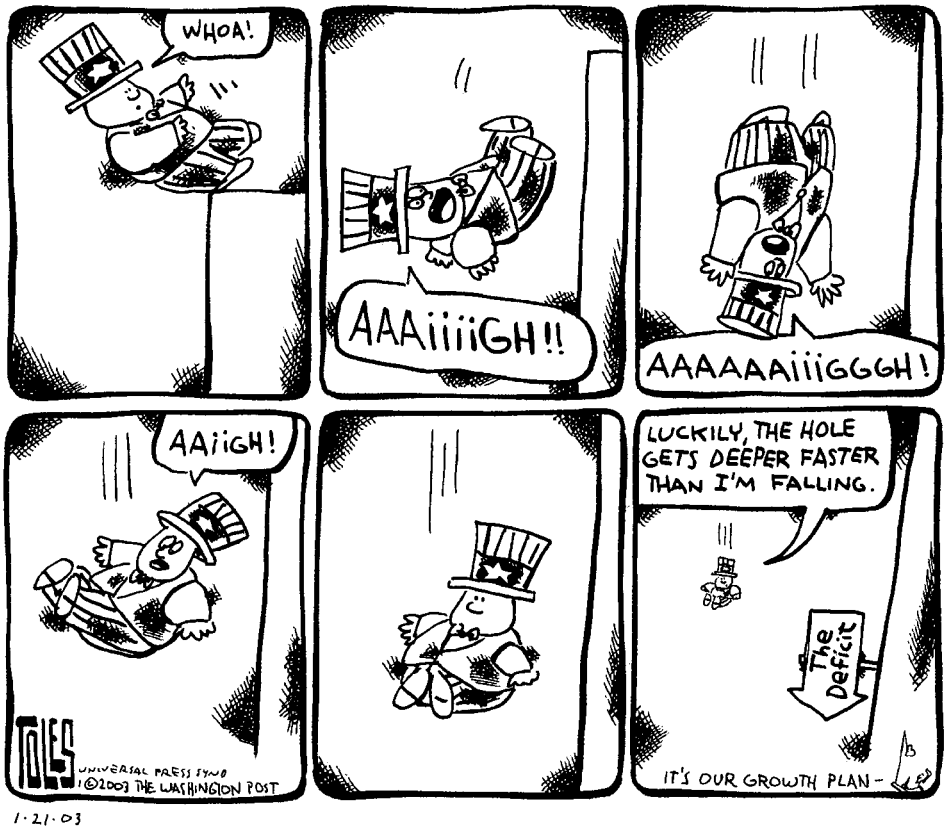

and trading partners alike. To the extent that we can reduce insecurity without ruinously mortgaging our fiscal and economic future, we will have created the conditions for a return to 1990s levels of economic growth, innovation, productivity, and income gains.

The administration has no economic plan, no fiscal plan, and no security plan to accomplish this paramount goal. Instead, it remains committed to the bizarre and disreputable goal of becoming the first society in the history of the human race to make tax cuts for its most fortunate citizens its top wartime priority.

The most maddening aspect of the administration's marketing campaign for these and other tax cuts for the wealthy is its effort to denounce any criticism as "class warfare," as the president has personally done in comments to the press. We are second to none in our opposition to class warfare tactics among Democrats, and we have the scars from intra-party fights on the subject to prove it. But if there's anything worse—much worse—than old-fashioned Democratic schemes to "soak the rich," it's Republican schemes to redistribute income from the middle classes to the comfortably rich, at a time when we are fighting a war on terrorism and are facing a huge fiscal crisis associated with the retirement of the baby boom generation.

All the talk in the White House that its "stimulus" proposal is focused on the "investor class" is an amazingly brazen admission of its class warfare tactics. Those tactics are clearly aimed at bribing just enough middle-class and retired citizens to join the wealthy in chowing down on tax cuts to constitute something like a political coalition.

That's an odd but revealing priority at a time when we may be sending our men and women to war in Iraq, while continuing to guard against the ever-present possibility of new terrorist attacks here at home. Moreover, even an Enron accountant could see the gathering damage from exploding deficits, not only to the nation's long-term economic prospects, but also to the other important demands with a call on our national resources, from Medicare reform to stabilizing Social Security.

But maybe that's the whole idea. After all, some of the president's closest allies, led by *über*-lobbyist Grover Norquist of Americans for Tax Reform, are openly advocating serial tax cuts as a strategy for permanently paralyzing the federal government. They seek to accomplish through the indirect means of reducing revenues what former House Speaker Newt Gingrich failed to achieve through the direct means of shutting down public buildings and cutting off services.

Instead of attempting to outbid Republicans by offering their own tax cut or spending "bribes" to key voting groups, Democrats should make the big picture of values and priorities the centerpiece of their critique of the president's economic policies. It's time to emphasize the national interest in security, fiscal discipline, and long-term economic growth, instead of continuing to sacrifice it to the narrow special interests of the Republican Party and its hungry constituency groups. The GOP's weird and inverted agenda of class warfare, aimed at encouraging people to strengthen their bank accounts by weakening their country, contradicts every word the president has said about American pride and unity in the face of threats domestic and foreign. It's long past time to demand that the administration and the Republican Party make their policies match their rhetoric and their promises. At a time when we are at war with terrorists, we should not be at war with our own commonwealth. ◆

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IT TAKES TO WIN THE ...

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...WHITE HOUSE

So you want to be president? You're about to start the biggest job interview of your life. Here's how you can get America to hire you and fire the other guy. | *by* **Al From** *and* **Bruce Reed**

DLC
Democratic Leadership Council

TO: Democratic Candidates for President
FROM: Al From and Bruce Reed
CC: John McCain
SUBJECT: Running for President

Congratulations on your decision to run for president. If you're lucky, you might be the first senator in your row to get into the race.

You now hold the future of the Democratic Party—and the country—in your hands. The mountain you have to climb is steep and treacherous, but truth is on your side. As Trent Lott might say, "If you're elected, America wouldn't have all these problems!"

Of course, once you've made up your mind to enter the race, the biggest question on your mind is probably the same one Bill Clinton asked in 1991 after jumping in: "Now what?"

Here are some unsolicited suggestions about how to make sure the crazy journey you've just begun turns out well for you and for the country....

Continued on page 8

Al From is founder and CEO of the Democratic Leadership Council. **Bruce Reed,** President Clinton's former domestic policy adviser, is president of the DLC.

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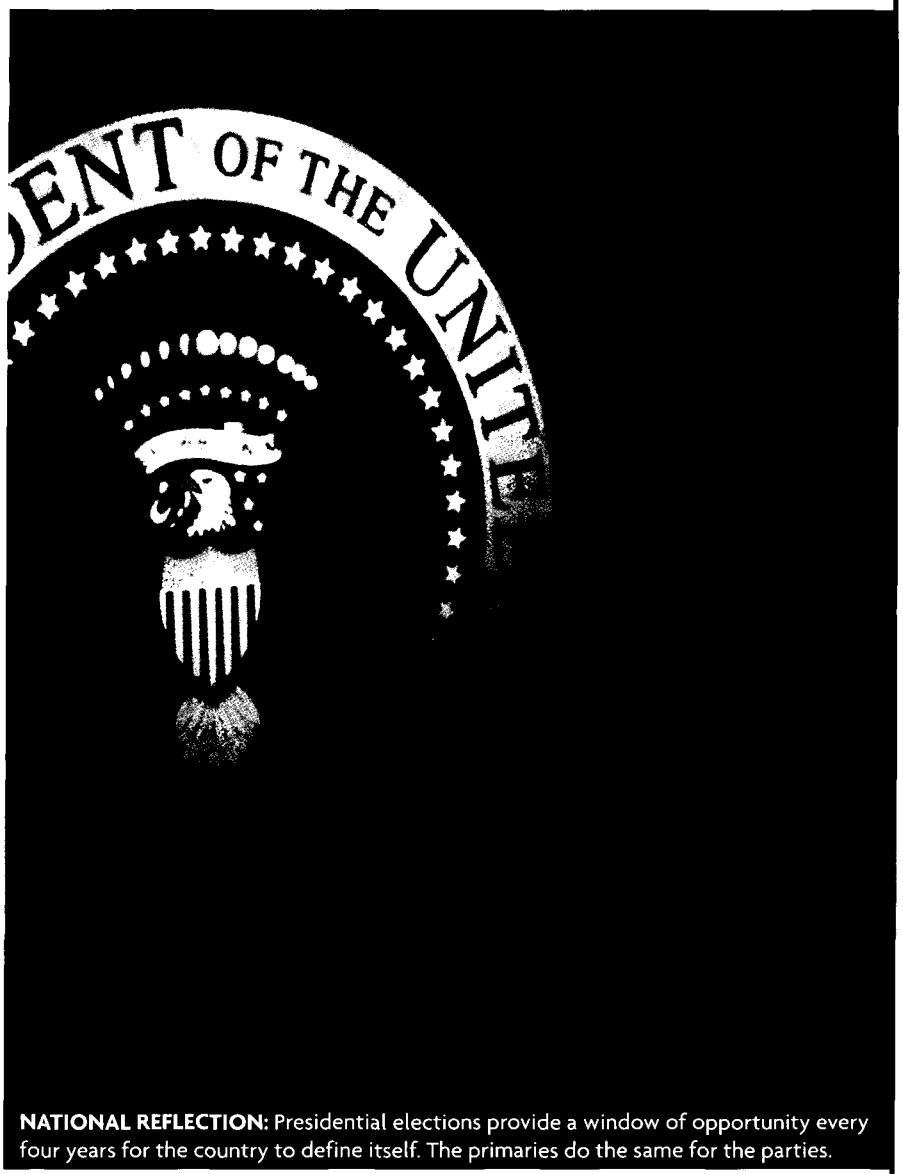
The Ghost of Democrats Past

Since Al Gore and Tom Daschle decided not to run, the conventional wisdom is that there is no front-runner in the Democratic race. That's not quite true. The real front-runner, fresh off its triumph in the midterms, is the Democratic Party's losing image. Your most formidable opponent isn't President Bush or your fellow contestants for the nomination. Your real enemy is the ghost of Democrats past.

Don't let your party get you down. Let's not forget: Democrats were responsible for most of the social and economic progress of the 20th century. In the 1990s, Democratic ideas and leadership helped restore America's confidence and prosperity at home and helped spread peace throughout the world.

But politics isn't always fair. The doubts Democrats worked so hard to dispel in the 1990s—that they loved government and taxes too much, and cared about security and values too little—have returned. The pounding Democrats took in the 2002 elections made painfully clear that no Democratic nominee can beat Bush without first changing the face of the Democratic Party.

In other words, many Americans already have questions about your character even before they've heard your name. From the outset, they will view you through the prism of Democrats who have run before. They will not just be taking the measure of where you stand, they will be wondering what you're made of.



NATIONAL REFLECTION: Presidential elections provide a window of opportunity every four years for the country to define itself. The primaries do the same for the parties.

You have no time to waste in proving you're your own man, not your party's. The Bush team will raise and spend $200 million over the next 18 months to dredge up every bad Democratic stereotype. With each chance you get, you have to start right away running against that stereotype.

If you want to win the presidency in 2004, you have to redefine the Democratic Party in 2003.

In politics, every problem is an opportunity. No party has ever needed definition, or redefinition, more than the Democratic Party today. Just before the midterm elections, the Gallup Poll found that by 60 points, Americans believed Republicans would do a better job than Democrats on their top priorities—national security and the fight against terrorism.

But party perceptions are a wonderful foil for an insurgent candidate looking to define himself. Clinton won as a different kind of Democrat in 1992. George W. Bush stole a page from the New Democratic playbook and won in 2000 by promising to be a different kind of Republican.

Presidential elections are the one window every four years that our country has to define itself. In the same way, primaries are the one window a party has to define itself. The rest of the time, any party is a cacophony of voices and a jumble of interests. But from the moment it chooses a nominee until the election is over—or its nominee magically becomes president—a party has one voice and one mission. We pray it will be a worthy one.

You can't afford to be subtle about defying the Democratic stereotype. As Al Gore discovered in 2000, you can put forward a New Democrat policy agenda and Republicans will still try to put you in an Old Democrat lockbox. Every campaign needs its "Sister Souljah" moment to demonstrate

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that the candidate will speak truth to power—and to make sure the public sits up and takes notice.

Here's the good news: If you work at it, the ghost of Democrats past is a front-runner you can beat. You're already off to a good start. Last November, we urged Democrats to put security first and turn up the heat on the Bush administration for doing too little to help secure the front lines here at home. By the end of December, a front-page story in *The New York Times* reported, "Democratic contenders for president are beginning to challenge President Bush's record on terrorism." The ghost is already on the run.

The Job Interview

Former President Clinton, the only Democrat in half a century to succeed at it twice, says that running for president is like a job interview with the American people: You have to give them a reason to hire you and a reason to fire the other guy.

We'll get to the firing part in a moment, because it's important. But the first part—why we should hire you—is the greater and more urgent challenge. You will not win, nor will you deserve to, unless you spell out in specific terms where you want to take the country. The American people want to know what you'll do for them, what you'll ask of them, and whether you have what it takes to make your vision come true for them. As Clinton said in his announcement speech, "We don't need another president who doesn't know what he wants to do for America."

Roger Mudd did every prospective presidential candidate an enormous favor in 1980 when he asked Ted Kennedy the immortal question, "Why are you running?" Years later, it's remarkable how many candidates still stumble over the answer. The explanation is simple and disturbing: Most people don't run for president because of all the things they want to do for the country. They run because it's the biggest job on earth and they think they might win.

By now, scores of old Democratic hands have urged you to start worshipping that holy trinity of political campaigns: money, organization, and the fickle god, "message." All are good to have, and no campaign will get far without them, but they're just the grease of campaigns. Ideas and purpose are the engine.

The great, underrated virtue of our presidential process is that, unlike every other political contest, presidential elections always matter and almost always are about something. House, Senate, and gubernatorial races rarely change the course of history. Presidential races usually do. As a result, they are perhaps the only time most voters take a good, long look at the lasting implications of their decision.

In other words, no matter how often they grumble about choosing between the lesser of two evils, Americans take the decision about their president very seriously—and so should you. You have to win people's hearts and minds, earn their respect, and keep their trust. It is not enough to run against the way things are. They're not hiring you to tell them about America's problems. They're hiring you to solve them.

Here again, you have to overcome a bum Democratic rap. In the November 2002 Gallup Poll, 60 percent of Americans said Republicans had a clear plan for America's future. Only 30 percent thought Democrats did. That was a devastating setback for a party whose mission is to solve problems.

The biggest favor you can do for yourself, your fellow Democrats, and the country is to spend the coming year doing your level best in the Idea Primary.

Here Are 10 of the Best Ideas to Pursue:

1. Make America safe again by shaking up the intelligence bureaucracy, hardening targets, and beefing up local law enforcement.

2. Restore economic growth by putting the government's house in order, keeping the private sector honest, opening new markets, and expanding opportunity for all, not granting special favors for the privileged few.

3. Promote democratic capitalism and corporate responsibility to make sure those who do the work and play by the rules, not just those at the top, share the benefits of growth.

4. Ask more Americans to serve their country in military and national service and civil defense, and give more young people the chance to earn their way through college.

Former **President Clinton**, the only Democrat in half a century to succeed at it twice, says that **running for president** is like a **job interview** with the American people: You have to give them a reason to **hire you** and a reason to **fire the other guy**.

5. Reform the tax code to reward work, family, and opportunity instead of wealth and privilege.

6. Make sure every working American has the same kind of access to health care as members of Congress.

7. Give parents more choices so they can balance work and family, by expanding family leave and restoring a culture that puts family first.

8. Demand more from teachers and reward them for it.

9. Make sure every child has the love and support of two parents by making parental responsibility a way of life, not an option, and require absent parents who owe child support to go to work to pay it off.

10. Take back control of America's destiny with an energy plan to pioneer new energy-efficient technologies and develop a 50-mpg SUV.

Whatever you put on your list, it's important to aim high and be specific. The only sane reason to run for president is a burning desire to do a lot with the office. If you have a clear idea where you want to take the country, you can overcome any political odds. If you don't, you won't win, and you

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wouldn't get far in the job even if you did. This has always been the case, and more so since 9/11. Now more than ever, the one reason to seek the presidency, and the only way to win it, is to unite people behind a cause that is larger than your candidacy.

The Idea Primary is a dress rehearsal for the big job interview with the American people in the fall of 2004. If you're lucky enough to make it that far, you can be sure you won't beat President Bush on the basis of money (his campaign will be able to print it), organization (Republicans finally learned how), or tactics (the current White House's trademark). The power of your ideas, the force of your values, and the strength of your purpose are the only weapons the mighty Death Star might not survive.

The Trouble with W

Candidates devote too little time to the first part of the job interview: why we should hire them, and they spill far too many words, with too little impact, on the second: why to fire the incumbent. Don't be too despondent over the president's poll ratings. They're a good reminder of a universal truth: Incumbent presidents are almost always very hard to beat. Of the 17 presidents in the last century, only four (Taft, Hoover, Carter, and the first Bush) lost after one full term, each under pretty miserable circumstances.

That's why it's so important for anyone hoping to unseat Bush to make the right case. You will never convince America to dislike the man, and you shouldn't begrudge him his few successes. You're not trying to tell Americans they were wrong to rally behind their president when the nation went to war. Elections are never about the past; they're about the future. You should thank the president for his service, but raise serious, legitimate doubts about keeping him around any longer.

For all Bush's popularity, such doubts are not far beneath the surface. Americans aren't at all sure the country is moving in the right direction. According to a January 2003 Gallup Poll, 56 percent of Americans are dissatisfied with the way things are going in the United States. They're frightened about whether their government has done enough to protect them from another terrorist attack. They're deeply worried about the economy—whether their incomes will start going up again or they'll ever recover enough savings to retire. They fear that the country's values are out of whack, and they're tired of working harder and making less, while too many cor-

HOME FRONT LIST

From personnel to information systems, we are not even close to where we need to be. | *by* **José Cerda III**

OUR DOMESTIC TROOPS: First responders should be better funded and equipped.

GOVERNMENT'S FIRST responsibility is to keep its people safe. Yet nearly a year-and-a-half after the Sept. 11 attacks, the Bush administration hasn't done all that it can to prevent against another terrorist strike on American soil. Here are 10 ways Democrats could improve security on the home front:

Create a new domestic intelligence agency. Deterring terrorism requires domestic intelligence at least as good as our foreign intelligence. That's why America needs a domestic intelligence agency, like Britain's MI5. Every other big democracy has one. We should, too.

Reinforce the front lines of domestic defense. We need to strengthen the front lines of domestic defense by helping state and local governments hire as many as 100,000 more police, firefighters, and EMS professionals. Instead, state and local budget crunches are forcing cities to lay off these "domestic troops," even as more of them are required to meet the increased demands of homeland security. This is the wrong way to go.

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porate leaders take their money and run.

Moreover, the American people still have deep misgivings about the Bush administration. They know the president cares a lot more about corporations and the wealthy than he does about people like them. They know the Bush White House will always side with business over any competing interest, from the environment to health care to the family. They don't believe the president has changed the tone in Washington. They respect the president's resolve after 9/11, but still wonder if he's out of his depth at home and abroad.

In short, Americans are no fools: They know this president's strengths and recognize his weaknesses. Even though Democrats have been too meek in making the case against him, the jury on George W. Bush is still out.

What kind of evidence will Americans find persuasive? A Democratic candidate's first instinct may be to bombard the voters with hot rhetoric and dry facts: distribution tables, deficit projections, before-and-after pictures of the baseline for Head Start. All those arguments have merit, but they do more to rile up the converted than to change enough minds to make a difference in the election. Americans are understandably wary of statistics and expert testimony. Unless you weave them together to tell a coherent story, voters will assume you're just picking and choosing to suit your interests—and they'll be right.

The **Idea Primary** is a dress rehearsal for the **big job interview** with the American people in the **fall of 2004.** The power of your **ideas**, the force of your **values**, and the strength of your **purpose** are the only weapons **the mighty Death Star** might not survive.

The far more objective and credible way to attack Bush and the Republicans is not to hold them to the Democratic Party's standards, but to hold them to the standards they set for themselves. The administration will spend the next two years insisting that the president has kept his promises. Your job is to show that in the ways that matter, he has not.

Continued on page 12

Train and equip our domestic troops. The vast majority of the nation's first responders don't have the protective gear, equipment, and training they need to respond to another large-scale terrorist attack, especially if it involves biological or chemical agents. We must fund the backlog for all of these items.

Recruit citizen soldiers for homeland security. Now is the time to recruit more citizen soldiers not just to support our military overseas, but also to lend a hand with domestic defense. We can recruit more young people by offering college scholarships in exchange for homeland security service, such as becoming a firefighter. And we can enlist the efforts of Americans with valuable work experience and training by raising the age of eligibility for individuals to serve as a members of the National Guard or Reserves in a homeland security role.

Boost border enforcement. We need at least 10,000 more Border Patrol agents, INS inspectors, and State Department consular officials to stop terrorists from entering our country in the first place. It's an investment we should make.

Harden vulnerable targets. Thousands of potential targets remain vulnerable to attack by terrorists, including nuclear and chemical facilities, skyscrapers, and sports stadiums. We should charge the head of the Homeland Security Department with identifying the nation's most vulnerable targets, and create a new discretionary fund to serve as a catalyst for securing these properties.

End the FBI's failure to communicate. State and local law enforcement officials need access to terrorist watch lists and other sensitive information before an attack occurs, not after. We should mandate the FBI to accelerate security clearances for these officials and share all appropriate information.

Put a stop to fake IDs. The Sept. 11 suspects relied on fraudulent drivers' licenses to evade the authorities. We could reduce such ID fraud—and protect against identity theft— by working with states to implement secure "smart card" technology, and helping them link all their motor vehicle databases.

Make integrated information systems a national priority. Though several of the Sept. 11 suspects had prior run-ins with the law, they escaped notice because so many of our law enforcement databases aren't linked. Developing a system that connects all local, state, and federal justice information systems—and using it to put real-time information into the hands of cops on the street—should be a domestic security imperative.

Ask Americans to do their part. We're more than a year into the war on terrorism, but most Americans still have no idea what to do in the event of another terrorist attack. As in the 1950s, it's time we all learned the basics of civil defense. To help launch such an effort, we should call for a national weekend of civil defense training. ◆

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ELECTION FERVOR: In 2003, the candidates will be fighting the Idea Primary. By convention time in 2004, the winning ideas must translate into popular support.

Continued from page 11

President Bush promised to change the tone in Washington, but instead has exploited Americans' fears to his political benefit. He promised to unite the country, but his agenda is designed to divide us. He promised to restore integrity to the Oval Office, but all too often he has sided with special interests instead of the nation's long-term interest. He promised to restore responsibility in our country, but he has spurned it in his budget and failed to demand it from his cronies. He promised to be a different kind of Republican, but he can't say no to his party's right-wing base. He promised a new era of compassionate conservatism, but he has pursued an economic plan that offers compassion only to those who need it least, and goes against the great conservative tradition of insisting that government should not give away money it does not have.

You don't have to abandon your policy arguments. But the stakes are higher and the terms are much different in the wake of 9/11. The 2004 election will be about our values, not our lockboxes. To win that debate, you need to make a moral critique of the Bush administration, not just a programmatic one.

Watch for Falling Rocks

It is too early to know whether the president's performance and the country's condition will provide a big enough opening for a Democrat to win. But we already know this much: Any Democrat will have to do almost everything right to unseat a sitting president and a savvy White House. That means dodging the four big boulders that crush almost every Democratic candidacy:

Talk to the country, not to the Congress. Members of Congress don't elect presidents; voters do. By definition, beating an incumbent president requires tapping into popular discontent with Washington. That will never happen if you try to wage this campaign from one end of Pennsylvania Avenue against the other.

That's a particular challenge this time around, when most of the candidates work on Capitol Hill. In the past 220 years, only two sitting senators have been elected president. We've sent more governors than that to the White House in the past two decades.

But résumé is not destiny: The real handicap is not a congressional background, it's a congressional mindset. Look at the recent presidential bids of two sitting senators, Bob Dole and John McCain. Dole could never shake the insider lingo or methods of Congress. The only bright spot in his entire campaign was the day he resigned as majority leader. McCain, by contrast, never set out to be legislator-in-chief. He got on a bus and never looked back, and ran as an insurgent against Congress. He came within a nasty smear campaign of pulling off the greatest political upset in his party's history.

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Don't let the debate in Washington set your agenda or your critique. The president always sets the terms of the debate in Washington. You'll be better off if you make the debate on your terms—and the country's. In 1992, none of the most important issues that launched Clinton's campaign—national service, health care, welfare reform—was even on the calendar in Congress. Your challenge is to address the problems that Washington has ignored or forgotten, and show that in important ways the incumbent is simply out of touch.

We have a hunch what those concerns might be: Government isn't doing enough to make people safe at a time when crime rates are creeping up again and the war on terrorism has no end in sight. People are working harder for the same wages, and seeing their families less. Folks don't understand why they're still paying the price for the corporate crime wave, while the wrongdoers aren't, and nothing much has changed.

But the only way to find out what's on people's minds is to hear them out. So use your time well in New Hampshire and elsewhere, by listening to real people, not just asking for their votes. You'll learn something, and your campaign will be much stronger for it.

Make challenges, not promises. In the long loneliness of the campaign trail, it's easy to think that nobody's listening, apart from the poor souls trapped in the same living room you're visiting. You know you're competing with the half-dozen other candidates they've already met, so why not get them to nod their heads by telling them what they want to hear?

> "Don't look for the **false unity** that comes from shying away from every controversial issue, and reject the **consultant consensus** that stacking **constituency upon constituency** will add up to a majority. The presidency is about **the whole**, not the sum of the parts."

The trouble, of course, is that many of the heads you'll have nodding aren't even a good cross-section of those you'll have to win over for the primaries, let alone the general election. Many activists who turn out this early are hobbyists who have spent the past four years obsessing over the same pet issue or crank grievance they used to hijack the unsuspecting troupe of candidates who came to town the last cycle. Never forget: Your real audience is far beyond the room.

More important, these early days are the time when the cement will begin to set around your public imprint. The people and the press are meeting you for the first time, and the cliché is true: You'll never get a second chance to make a first impression. The reputation you have spent your life building back home won't carry much weight if you stray from it, even briefly, on the trail. The press and your opponents will see to it that every lapse is magnified beyond proportion. Even if you recover, the hits take awhile to shake: "Where's the beef?" (Mondale to Hart in 1984), the wimp factor (*Newsweek* on Bush I in 1988), "pander bear" (Tsongas on Clinton in 1992).

But there's an even better reason not to tell voters everything you think they want to hear: What they most want to hear is proof that you're for real. Promising a program for every problem reinforces the Democratic stereotype you need to dispel. Voters want answers, to be sure, but more than anything they want someone they can trust to deliver on promises, not just make them. You can't claim you're the most like McCain and campaign the most like Mondale. Making challenges instead of promises is what Being John McCain is all about.

Keep your eyes on the prize. One of the iron laws of politics is that taking the conventional path to the nomination leads to a nomination that's not worth having. It's called the beaten path for a reason!

In any primary debate, all the pressure is to please the party faithful. By definition, party caucuses leave out the vast swath of independent voters who don't align with either side.

How you respond to that pressure will determine whether you make it to the Oval Office or spend the rest of your life living down the fact that you lost more than 40 states. The days are gone when candidates could get away with telling different things to voters in different states, or running one direction in the primaries and the opposite in the general election campaign. The press and an army of opposition researchers are keeping track of every word. Every litmus test you sign up for at this stage will be hung around your neck, should you make it to the next. Don't forget: The real prize is the White House.

Be Clinton, not Mondale. By all means, capture your party's imagination—but do it on your terms, not theirs. Don't look for the false unity that comes from shying away from every controversial issue, and reject the consultant consensus that stacking constituency upon constituency will add up to a majority. That strategy may work in a congressional race, but not in a presidential one. The presidency is about the whole, not the sum of the parts.

The only real way to unify a diverse party is to unite people behind new ideas and a higher purpose that make them forget their old labels. That's a winning formula for the primaries, especially since Democratic primary voters aren't nearly as ideological as most people think. And come November 2004, you'll be able to attract your base *and* the swing voters you need to win.

The journey you have just chosen will require all the courage, creativity, and fortitude you can muster. The only force powerful enough to sustain you is the one that spurred you to launch this quest in the first place: the belief that you can make America a safer, stronger, more prosperous nation. Over the long haul, the American people almost always get it right. ◆

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WE BELIEVE. . . .

It's time to set an agenda for America's forgotten majority. We believe in promoting America's ideals in the world, expanding opportunity and growth for all, and balancing work and family.

AMERICA HAS ENTERED a new era. So must the Democratic Party.

We cannot move our country forward if our party is moving backward. From fighting terror and tyranny to expanding opportunity and trade, America must lead the world, not retreat from it. We must champion the economic interests of the forgotten middle class, not promise them the moon on their nickel. Our goal must be expanding opportunity, not bureaucracy, and preserving old values, not old programs.

Our country needs us to move forward, because in too many ways the current administration is setting America back. The president promised a "responsibility era," but refuses to take responsibility for solving the nation's problems or balancing the nation's books, and more often winks at irresponsibility than cracks down on it. He promised to restore integrity to the Oval Office, but all too often has doled out favors to favorite interests. He has dithered in the face of a business culture that lets those at the top break the rules and help themselves at the expense of those who work hard and do right. His economic plan has deepened the gulf between the rich and the rest of America, as the economy and incomes have stopped growing and privilege has continued to spread. Far from changing the tone in Washington, the president has only worsened the partisan stalemate.

This administration has failed to address the real problems that most Americans face: paying the soaring costs of health care and college; saving for retirement; balancing work and family. This president has no agenda for the forgotten majority. We do:

WE BELIEVE in asking more of Americans, because every American has the duty and desire to put country first.

WE BELIEVE that government's first responsibility is to protect its citizens. The current administration has asked too little of the American people and done too little to make them safe. We cannot have national security without energy security.

WE BELIEVE the central mission of our time is to stand up for America's security and ideals in the world. We should use diplomacy without contradiction and force where necessary to defend America's way of life.

WE BELIEVE in economic growth for all Americans. Government's responsibility is to put its own house in order, keep the private sector honest, expand markets here and abroad, and make sure all Americans who are willing to work have the chance to get ahead.

WE BELIEVE our economy should favor people who work hard and play by the rules, not those at the top who do well by doing wrong. The private sector is the engine of economic growth, and we can't be for jobs if we're against business. But corporate leaders have a responsibility to make sure those who do the work reap the rewards of growth.

WE BELIEVE that expanding opportunity and demanding reform go hand in hand. We support tax reform that rewards work and family, not tax cuts that reward wealth and privilege—because a progressive tax code is the only American way to pay for government. Every American who works should be able to afford health care and save for retirement. We should pay teachers better and expect more in return, and give all Americans willing to work or serve the chance to earn their way through college.

FINALLY, WE BELIEVE the family is the foundation of American life, and that we cannot truly call ourselves the richest country on earth when parents don't have enough time with their children. Government and businesses have a responsibility to help parents balance work and family, and parents have a responsibility to support their children and spend the time to raise them right.

Americans deserve a government and a nation that put our basic values of faith, family, freedom, hard work, and responsibility back at the heart of all we do. The time has come for New Democrats to usher in a new era—where Americans' safety is paramount, family is honored, hard work is rewarded, responsibility is a way of life, and our leaders put country first. ◆

—The Editors

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DEMOCRATS COME BACK

National security must top the list of Democratic priorities if the party is to be heard on such critical issues as the economy, fiscal responsibility, and health care reform. | *by* **William J. Clinton**

IS THE DEMOCRATIC Party dead? Since last year's elections, a lot of people have been saying that. But I respectfully disagree. We heard that back in 1991. It was wrong then, and it's wrong now.

It's true that Democrats didn't have a good year in 2002. We didn't run the best political campaign in our history. Republicans beat us on message, money, and turnout. And, to a lot of Democrats and independents, we were missing in action when it came to the issue that matters most today—national security.

Without a strong position on national security, Democrats won't be listened to on other issues. We cannot overestimate the psychological impact of Sept. 11. Pulling together after the attacks, the American people felt a deep need for unity and strength. When people feel uncertain, they would rather have somebody who's wrong and strong than somebody who is weak and right.

That's why Democrats bear just as heavy a responsibility to unite the nation on national security as does the party in the White House. We need a national message that says where we agree and disagree with the Republicans, one that defends our record and offers positive proposals for the future. Our record is strong: Democrats have been virtually unanimous in supporting the fight against terror and additional defense spending to get it done. Most Democrats have supported the president on Iraq. They've said yes to unlimited inspections and the use of force if the United Nations resolution is not honored. And the Homeland Security bill was Sen. Joe Lieberman's proposal, one that the Bush administration opposed for seven months.

But we failed to get that message out, or to emphasize our party's ideas for achieving greater national security.

One key to national security is

William J. Clinton was the 42nd president of the United States. This article was adapted from a speech given to the Democratic Leadership Council in New York on Dec. 3, 2002.

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accountability. Clearly someone needs to be accountable for intelligence sharing and for law enforcement. Even within the new Homeland Security Department, there must be clear lines of communication so that we can avoid the kinds of bureaucratic problems we faced before Sept. 11, when there were reports of people learning to fly airplanes without learning takeoffs and landings, but no one checked the roughly 2,000 flight schools in America.

Accountability also means modernizing information technology. Mohammed Atta, the terrorist ringleader, had 12 addresses: Two were residences; apparently 10 were safe houses for his co-conspirators. Another terrorist had 30 credit cards and $250,000 in debt. That information was in the computers of at least one, and probably more, of the mass-mailing companies in our country, along with similar information on all the rest of us. That's why modernizing our technology to share intelligence is such an important part of homeland security. If a person has been in our country just a year or two and already has several residences or large credit card debts, he is either very wealthy or up to no good. It shouldn't be too difficult to determine which is true.

Democrats have a stronger position on homeland security than Republicans. The administration can reorganize the government all it wants. But what is it doing to protect the tunnels, the bridges, the water systems, and the utilities? What is it doing to provide help for our first responders—police, fire, and emergency medical services? What is it doing to help those who must respond to an anthrax attack or a chemical weapons release? Democrats have pushed to provide adequate funding for these things against constant Republican resistance. These issues matter a lot more than which bureaucratic box you put things in. Yet we didn't get that message out in the elections.

Democrats should take the lead on another homeland security issue: energy independence. I tried unsuccessfully for three years to get the Republican Congress to produce tax credits for the production and purchase of energy conservation and clean energy products. There is a $1 trillion global market for these products, which will create jobs for Americans, fight global warming, and make us less dependent on volatile areas of the world. There is no excuse for not taking stronger action now, and Democrats should lead the way.

Besides homeland security, we need to do more about weapons of mass destruction. We're doing the right thing in Iraq, but we need to do more. We have a very dangerous situation in North Korea, which could turn itself into a nuclear assembly plant within months. This is not an issue that can wait on some back burner. We have to help our friends fight terror, from Colombia to the Philippines to Indonesia.

And we must do more to safeguard existing stockpiles of weapons of mass destruction. When I was president, we spent a lot of federal funds moving nuclear weapons out of Kazakhstan, Belarus, and Ukraine into Russia, where they could be secured and destroyed. We agreed with the Russians to destroy 50 tons of plutonium on each side. Thanks to the Nunn-Lugar legislation, in some years we also paid the salaries of about 30,000 Russian scientists engaged in nuclear, chemical, or biological weapons production. By supporting them, we hoped they wouldn't be tempted, after six months without a paycheck, to go to work for someone who might do us harm. The Nunn-Lugar program has helped deactivate almost 6,000 nuclear warheads and destroy approximately 800 nuclear missiles in Russia. The program has also helped secure approximately 40 percent of Russia's vulnerable nuclear materials. We should extend Nunn-Lugar efforts to other nations with weapons of mass destruction and weapons-grade material, and we should emphasize biological and chemical as well as nuclear materials and programs. Congress declined to take these steps last year. Democrats should push for them early in 2003.

In the security arena, we also need a positive agenda to make more partners and fewer terrorists. We need to remember the Marshall Plan and the rebuilding of Japan. We need to boost foreign aid and debt relief. We need to make it possible for millions of kids who are not attending school to get an education. In the developing world, every year of mandatory schooling adds 10 percent to 15 percent to a person's annual income.

> Democrats win with **vision, values,** and **ideas**. We must remind people that we're **committed** to a global community of **peace, prosperity, freedom,** and **security**.

I recently helped the great Peruvian economist, Hernando de Soto, set up the Foundation for Building the Capital of the Poor in Ghana. The foundation helps move poor people's assets into the legal system so they can use them as collateral for credit, to improve their own lives and help grow their nation's economy. We should help more nations develop legal systems in which people have clear title to their homes, farms, and businesses and every incentive to be tax-paying members of society. There's a shirt factory in Ghana that exports to the United States under the African-Caribbean trade bill I signed. When I was leaving Ghana, a woman came running up to me at the airport and gave me one of the shirts. She thanked me for helping to make it possible for 400 people to have jobs in that factory.

People like that don't become terrorists. They don't hate us; they like us. They don't want their kids fighting tribal wars or planting bombs in America. They don't resent our wealth, because they see that we want them to have it, too.

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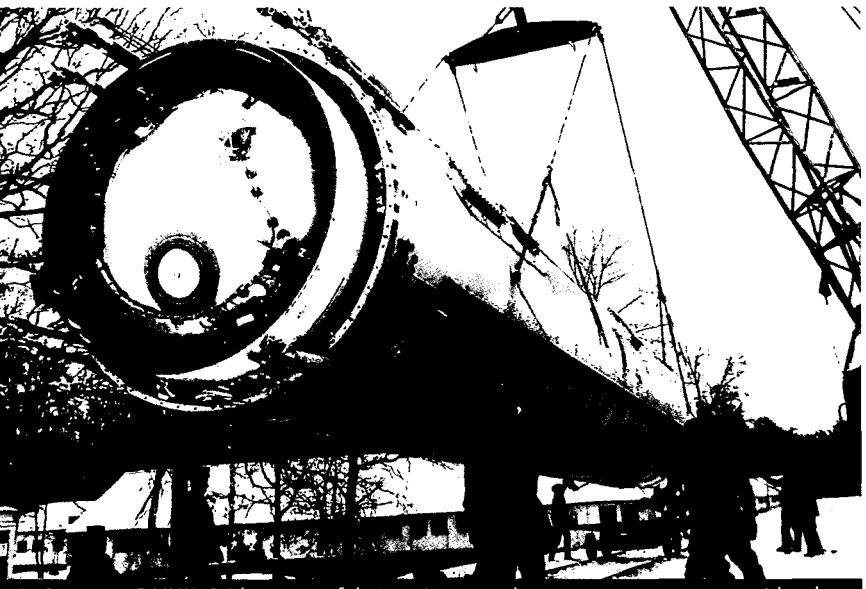

DEACTIVATING NUKES: The successful Nunn-Lugar nuclear weapons program provides the model for further action to contain the spread of weapons of mass destruction.

Once we Democrats have a comprehensive security plan in place, we can talk about the other key issues, such as the economy. Our economic plan is simple: We want economic growth for everybody. In the 1990s, we had 22 million new jobs compared with 14 million in the Reagan recovery. And we moved almost eight million people out of poverty—100 times as many as in the Reagan years. We also helped create more millionaires and billionaires than any previous administration. I never pass up a chance to remind my Republican friends how well they did under us. One of them recently said to me, "As a Republican, I voted against you twice. Now I wish you were back."

We Democrats are equal-opportunity prosperity folks.

Among the biggest problems the country faces are the tax cuts that President Bush pushed through Congress. The administration insisted on passage of the tax cuts before anyone knew what our income was going to be, what our expenses were going to be, or what emergencies we might face. In fact, our income went down, our expenses went up, and we had a terrible emergency. Also, these tax cuts have too little stimulus in the short run and too little fiscal responsibility for the long run, with too many of the benefits going to the wealthiest Americans, who don't need them.

We should freeze the top tax rate on incomes of $400,000 and above, which affects only one-half of 1 percent of the taxpayers. We should raise the $1 million ceiling on the estate tax to $5 million per couple, but we should not get rid of it. Those two steps alone would save $1.4 trillion, including interest savings, over the next two decades. If we freeze the top two tax rates, including all incomes over $200,000, the savings jump to $2 trillion. That would make up around half the anticipated shortfall in the Social Security trust fund. Even with these freezes, by the way, a couple making $1 million a year would still get a $10,000 tax cut—more than 10 times the amount the average American will get when the whole program is phased in. Democrats don't need to talk about repealing the tax cut or raising taxes—just about freezing the top rates.

The present path to long-term deficits isn't good for anyone. It means higher interest rates, weaker markets, fewer jobs, and reduced government support down the road for education, health care, the environment, and the poor.

Today, it means we're funding tax cuts for the wealthy by withholding funds from education and depleting the Social Security and Medicare trust funds. That's bad ethics, bad policy, and bad economics.

While restoring a measure of long-term fiscal responsibility, we should do more to stimulate the economy in the short run. There are many options, including the kind of investment incentives that Sen. Lieberman, Sen. John Edwards, and others have called for; progressive rebates for working people who will spend the money now; incentives to help build energy security through alternative clean-energy sources and new conservation technologies; and help for people who feel insecure about their retirements, so they can have more access to 401(k)-type plans. If we don't modify the tax cuts so that we have more investment-consumption incentives in the short run and greater fiscal responsibility over the long run, we're going to be in big trouble.

There is another reason why the estate tax should not be abolished: It would drastically undermine America's tradition of well-endowed philanthropies, which have contributed so much to the welfare of the nation. That's why some of the richest people in the world are opposed to repealing the estate tax, including Bill Gates and Warren Buffett.

Another important way to stimulate the economy, while reminding voters of Democratic leadership on high-tech matters, is to better target government research dollars. During my presidency, we invested about $1 billion in nanotechnology. There's no question that the sequencing of the human genome, coupled with the diagnostic capabilities of nanotechnology, will soon enable us to save hundreds of thousands—maybe millions—of lives. This will not only benefit those affected, but will have a huge positive effect on our economy.

We've also got to make some long-term reforms on a whole range of issues. One of them is health care. In 1993 and 1994, the Republicans and the health insurance companies performed reverse plastic surgery on my health care pro-

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COVERING THE UNINSURED: The 1990s saw important strides in health coverage—notably through expansion of the Children's Health Insurance Program—but now the total number of uninsured people is going up again.

posal. The victors always get to write the history. After the failure of comprehensive reform, we adopted an aggressive step-by-step approach that produced impressive results, including greater portability through the Kennedy-Kassebaum bill; immunization of 90 percent of our young children for the first time; groundbreaking advances in diabetes care and breast and prostate cancer screening; a huge increase in medical research investments; and the largest increase in children's coverage since Medicaid—the Children's Health Insurance Program, providing 4.3 million children with health care.

Unfortunately, the number of uninsured people is going up again, despite the fact that in the United States we spend more than any other country on health care—14 percent of our gross domestic product. Fully 3 percent of that is on administrative costs—a huge amount of money. By contrast, the administrative costs of Medicare are 1 percent of program costs. With our high-tech medical system, we have to expect that health care will cost about 11 percent of GDP. Think about the numbers: If we could reconcile the various interests and free up 2 percent or 3 percent of wasted GDP, we could provide health insurance to many of America's 41 million uninsured at a cost we could support without a backlash. We Democrats should also be thinking a lot about how to prevent people from losing their health insurance in difficult economic times like these.

We also need to take another look at our work and family agenda. We're the pro-family, pro-work party, That's why we supported the Children's Health Insurance Program and the Family and Medical Leave Act. Our positions were very effective in the 1990s with a lot of middle-class people who work in the New Economy. Now that most parents are working, we need to find new ways to expand unpaid family and medical leave, and to provide incentives for paid leave and for more flex-time. You can't call a society successful unless people feel they can work and raise their children—while doing a good job at both. The Bush administration wants to withdraw the option I gave states to use excess unemployment insurance funds to finance paid family leave, just as many states are considering doing it. We should fight to give them the chance.

Finally, Democrats should press hard on corporate accountability. We were able to get a strong bill passed in the last Congress, even though the Republicans opposed it until the very end. But since then, they've withheld the funding to make it work, and we should make that an issue in the new Congress. At the same time, however, we shouldn't kill the goose that laid the golden egg. Democrats should be pro-accountability *and* pro-business. After all, a lot of U.S. companies did a great job in the 1990s, including with their stock options. But to avoid future Enrons, perhaps stock options should be executable only over a longer period of time—that would build employee loyalty and company strength. And it might prevent more people with inside knowledge from simply taking the money and running, leaving the other stockholders high and dry.

While putting a clear and strong Democratic program in place—robust national security combined with progressive domestic reforms—we must remember our basic beliefs. Democrats win with vision, values, and ideas. We must remind people that we're committed to a global community of peace, prosperity, freedom, and security. Martin Luther King Jr. said the arc of the moral universe is long, but it bends toward justice. And the people who are the benders toward justice have the heavier burden. We chose to be Democrats. Nobody made us do it. We made that decision because we're committed to those values. If we honor those values and push the new ideas we believe in, Democrats will win elections again. ◆

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TACTICS WITHOUT A MESSAGE

The 2002 election was a painful wake-up call. It's time for Democrats to offer a credible alternative to Bush's far-right agenda.

| *by* **Bernard L. Schwartz** *and* **Daniel Yankelovich**

BY ALL THE RULES of political logic, President Bush's favorability ratings should be hovering around 40 percent—his conservative base. After all, the nation is suffering on many fronts. The economy is stagnating. The income gap is widening, fueling resentment and convictions of unfairness. Poverty levels are rising. Scandal plagues the corporate boardroom. Fiscal discipline has been tossed onto the junk heap. Huge deficits loom, justifying people's fears that their children will be worse off than they are. Homeland security, despite all the rhetorical fuss about it, is as fragile and vulnerable as it was before 9/11.

Yet in a nation whose political center of gravity, except in emergencies, is the moderate center, the Bush administration has chosen to govern from the extreme right. Not surprisingly, a majority of our citizens fear that the country is on the wrong track. Despite all this, President Bush remains hugely popular and influential. He enjoys an intimidating approval rating that he skillfully deployed in 2002 to help Republicans regain control of the Congress.

What is causing this curious suspension of the laws of political gravity? The most credible explanation is the absence of an alternative. In the last election, Democrats offered the electorate neither a cogent critique of the administration's limited vision nor a distinctive message that would allow a real choice.

Instead, Democratic Party leaders have been so hung up on tactics that they neglected their core task: building a serious case that shows why voters should turn to them rather than stick with the Republican right.

On the economic front, Democrats need to identify and address the serious structural problems that are weakening the economy, then offer clear and plain alternatives to the voters. Focusing on the economy is a first step toward solving other important issues like health care, education, and fairness. Without vigorous economic growth there is no way to address these effectively.

On the foreign policy front, the Democrats have an opportunity that did not exist in the last election to offer voters a clear alternative to the Republican strategy for waging the war on terrorism. The president's fondness for tough Texas talk has forced the administration to back off so many times, that it suggests disarray and lack of foresight rather than strong leadership.

The worst mistake Democrats can make is to continue to work within a Republican framework. This is how Democrats were snookered in the 2002 election. On foreign policy and the Bush tax cut, some Democrats supported the president; others opposed him. But all accepted his framework. Democrats should hammer out a new and different framework that raises—and answers—the following questions:

1. What is the best strategy to stimulate economic growth without abandoning fiscal responsibility?

2. What *political* strategy on the Arab/Israeli conflict, our dependency on Mideast oil, and our relations with Muslim states will help us win the war on terrorism?

3. How can we support this political strategy with a strong military security/defense policy?

4. How can we best keep faith in our market economy with fairness, equality of opportunity, civility, respect for differences, and other core human values? How do we raise the smaller boats as well as the yachts?

Democrats must offer solutions on the issues that the Bush administration has not engaged, such as deficits growing as far as the eye can see, shrinking job opportunities, broadly based tax relief that can be stimulative and fair, protecting pension assets, preserving Social Security, uneven and inadequate corporate governance, expiring unemployment benefits, improving health care, and a fair and comprehensive plan for prescription drugs. We can fashion these traditional Democratic issues into an effective economic framework for growth, fairness, and budgetary restraint.

In troubled times, the nation's politics invariably return to the core themes of *peace* and *prosperity*. For the 2004 election, Democrats must be ready to advance a fresh message on these two themes. The midterm election hit the Democratic donkey with a two-by-four. Let us regard it as a productive, if painful, wakeup call. ●

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Sen. John McCain (R-Ariz.)

Trade Emissions Now

NINE OF THE WARMEST years ever recorded have occurred since 1990. We have seen the destruction of heat-sensitive coral reefs, the melting of glaciers at unprecedented levels, the increase of wildfires, and the spreading of diseases.

Our international partners, the states, and private industry are reacting to this challenge. It is time for the U.S. government to do its part.

The United States is responsible for 25 percent of worldwide greenhouse gas emissions. A discussion of mandatory reductions is the form of leadership that is required.

Senator Lieberman and I intend to develop legislation that would require mandatory reductions in greenhouse gas emissions and give companies maximum flexibility in meeting requirements through a market-based trading system for emissions allowances.

This "cap-and-trade" system would require regulations to limit emissions from the electricity generation, transportation, industrial, and commercial economic sectors—which represent approximately 85 percent of overall U.S. emissions. It would allow trading of emissions allowances through a government-provided database.

This would not place the burden on any one sector. It would allow for partnering across sectors through the trading system to most effectively meet the required reductions.

Ultimately, this approach rewards improvements in energy efficiency and encourages advances in technologies. ●

From statements by the senator on Jan. 8, 2003.

Sen. John Edwards (D-N.C.)

Getting Real on Homeland Security

A COMPREHENSIVE approach [to homeland security] requires major new initiatives in finding and tracking terrorists, border security, target protection, and domestic readiness....The first thing we need to do is create a new homeland intelligence agency. Its central goal should be uncovering terrorist threats before they cause harm. That effort will have three basic components: to gather information about terrorists, their activities, and their plans; to analyze data, search for patterns, and assess threats; and to get that information and analysis to the right people so we can stop terrorists before they harm us.

Because the focus will be intelligence, the new agency's officers don't even need arrest powers. Those responsibilities should remain with law enforcement, like the FBI. Trying to combine incompatible missions is the reason we have a problem in the first place. The creation of a new homeland intelligence agency must be reconciled with legitimate concerns about our liberty and privacy. It will give us a fresh chance to strengthen our freedom as well as our security. A homeland intelligence agency is only the first step to track down terrorists. We should grant high-level security clearances to at least one top officer in police departments across the country so they can receive classified information. Second, we need to link all of the federal watch lists, as well as appropriate state and local databases, in a national terrorism information network that key local officials and entities like airlines can access at appropriate levels.

We need to make it much harder to get fraudulent identification by setting national standards for official IDs and helping states meet them. The standards should require biometric identifiers like fingerprints so nobody can use someone else's ID.

We need to do a far better job keeping terrorists out. The basic principle that should govern immigration is simple: warm welcome for immigrants and visitors, exhaustive barriers against terrorists. We should increase the number of INS inspectors, Border Patrol agents, and State Department consular officials by at least 10,000. We should also triple the administration's budget for border control information technology, so new agents get the right information. And we should say that all legal aliens will have a standard legal document, not one of an array that baffle so many employers today.

We need to improve domestic readiness so people on the front lines have the training and equipment to respond to any attack with speed, skill, and strength. We should give states an additional $1.5 billion in one-time aid they can use to hire and retain 75,000 cops, firefighters, and EMTs.

We ought to expand the portion of the National Guard focused on domestic defense, without undercutting the essential mission of military readiness. I propose inviting skilled men and women who fall beyond the regular age 35 cutoff for the Guard to join a civilian division dedicated to domestic security. ◆

From a speech delivered by the senator at the Brookings Institution on Dec. 18, 2002.

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Sen. Joe Lieberman (D-Conn.)

The Right Stimulus Package

ANY ACTION PLAN to get our economy moving again must focus on reviving business investment, which is in its weakest state in 50 years; shoring up investor confidence in our markets; and sparking consumer spending—especially among middle-class Americans. Those are clearly the most effective ways to get companies hiring and people working—something that President Bush, having stood by as America's unemployment rolls have risen more than 2.8 million under his watch, needs to do now.

My stimulus package—which is estimated to cost $150 billion—would give businesses an immediate incentive to invest in new information technology, rev up the burgeoning biotechnology and nanotechnology industries, send a new rebate to the 34 million taxpayers who didn't get one in 2001, put in place a specially designed zero capital gains rate for investments in new and expanding businesses, and implement a New Jobs Tax Credit to encourage immediate hiring.

Just as importantly, it would do all this without busting the budget—by imposing caps on discretionary non-security spending, reducing wasteful corporate welfare, and banking part of the savings from postponing the next phase of the Bush tax cut to pay down the debt. With an expensive war against terrorism to fight, a debt that's now $3.5 trillion, and other critical obligations to meet, we cannot afford anything less fiscally responsible than that. ●

From a statement issued by the senator on Jan. 7, 2003.

President George W. Bush:

The Wrong Stimulus Package

- Makes 2001's excessive tax cuts permanent
- At a cost of $670 billion, drives the federal budget deeper into deficit
- Heavily tilts to the rich by cutting the tax on dividends
- Foolishly accelerates abolition of the estate tax
- Throws a few scraps to low-to-middle-income taxpayers, as well as to state and local government
- Is a transparently partisan attempt to make fiscally disciplined Democrats look like willful tax-and-spenders

Sen. John Kerry (D-Mass.)

Leave No One Economically Behind

IT'S TIME WE JOINED together to make certain that we have an economy where no American is left behind.

First, we should give every working American some tax relief now—a payroll tax holiday on the first $10,000 of income. Every worker in America would immediately receive a $765 tax cut and every two-income family would get a cut of $1,530. Money to help families pay for new school clothes, put a down payment on a new car, or save for the future.

Next, we should extend unemployment benefits that run out at the end of this year for 820,000 families. It puts more money into the economy and sparks consumer demand. But more importantly, it is the right thing to do for people who are newly out of work, need health insurance and help taking care of their families. It is extraordinary that the U.S. Congress left town in 2002 after passing a bill to help businesses with terrorism insurance, but allowed unemployment insurance to run out three days after Christmas.

There are two other ways we can help hardworking families while boosting consumer demand: Raise the minimum wage and expand the Earned Income Tax Credit that rewards low-income families for being on the payroll instead of the welfare rolls. Since 1968, even as productivity has soared almost 75 percent, the minimum wage has lost more than one-third (37 percent) of its real value. Hardworking families deserve a raise. And fairness demands it.

I propose a new job creation tax credit to encourage employers to start hiring and raising wages again. This tax credit would give a one-time break from the payroll tax for every new job and for any raise given to an existing employee. It would benefit every business, from the smallest mom-and-pop shop to the largest employer. Most importantly—it would start creating jobs now.

And to encourage investments in the jobs of the future, we should eliminate the tax on capital gains for investments in critical technology companies. That means zero capital gains on $100 million issuance of stock if it's held for 5 years and has created real jobs. ●

From a speech delivered by the senator at the Cleveland City Club on Dec. 3, 2002.

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THE HILL LOST

Two analysts for the *Cook Political Report* examine the 2002 election and come to a startling conclusion: America remains equally divided between Democrats and Republicans. What makes this surprising is that so many post-election observers asserted, wrongly, that the nation experienced a seismic political shift on Nov. 5. Here's the real story.

| *by* **Jennifer E. Duffy** *and* **Amy Walter**

AS OBSERVERS WITH a unique perch in American politics, we have a close-up view of hundreds of election races and candidates. From that position, we're able to analyze contests and outcomes in exceptional detail, and reach conclusions based on mountains, rather than hillocks, of evidence. That's why we were a bit mystified by the post-Nov. 5 conventional wisdom that American voters gave Republicans a clear and convincing mandate. On the contrary, our conclusion is that the United States remains evenly divided and that national elections for the foreseeable future will be just as competitive as the last one.

That said, it's clear that Republicans had a good election night last year. After all, for only the third time since the end of the Civil War, the party holding the White House gained House seats in a midterm election (previous exceptions being 1934 and 1998). This election was also the first since 1934 that the party holding the White House, still in its first term, gained both House and Senate seats in a midterm vote. President Bush and his party have every right to be proud. But the Republican Senate, House, and gubernatorial victories were based on strategic, tactical, mechanical, and financial factors, not a fundamental movement in public attitudes. The election had very few upsets. Instead, very close races disproportionately broke in one direction at the end. But the way it happened in House races differed from that in Senate races. Here are two separate looks at how Democrats lost the Congress:

The House. All the post-election hand-wringing by Democrats about the poor House results ignored earlier signs of trouble for the party. Long before voters went to the polls, and even before many campaign headquarters opened, it was obvious that Democrats had an uphill climb in their quest for control of the House.

Soon after the final congressional district lines were drawn, Democrats boasted that they had held Republicans to a draw, denying them earlier claims of double-digit gains through redistricting. A draw was certainly better than the alternative, but it proved to be a double-edged sword. While redistricting ultimately helped protect some vulnerable Democratic incumbents, it denied Democrats the opportunity to expand the playing field by increasing the number of marginal seats. State legislatures and courtrooms across the country drew new congressional lines that basically solidified the status quo,

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creating few new competitive districts and leaving only a handful of endangered incumbents. This meant that Democrats were forced to pursue a complex district-by-district strategy for victory with almost no margin for error, instead of a national strategy to marginally improve their odds in a large number of races.

But with no margin for error, Democrats inevitably couldn't get every break. Get the wrong candidate out of a crowded primary (as happened in Arizona's 1st District when party favorite Steve Udall lost), and that seat now gets tossed into the give-away pile. Find out that your candidate has trouble raising enough money (Joe Turnham in Alabama's 3rd District or Stan Matsunaka in Colorado's 4th District) or has ethics troubles (Dario Herrera in Nevada's 3rd District and Champ Walker in Georgia's 12th District), and you lose another precious few opportunities. Then there is just plain luck, as in Colorado's new 7th District seat in suburban Denver, where Republican Bob Beauprez beat Democrat Mike Feeley by just 121 votes.

Beyond the sheer odds, the fundraising domination of the National Republican Congressional Committee and Republican candidates was another big factor. Republicans were able to crush their competitors in highly competitive seats, and Democrats were prohibited from expanding their reach into prohibitively expensive media markets, such as suburban Philadelphia (Pennsylvania's 6th District) or suburban Detroit (Michigan's 11th District). Most importantly, Democrats were forced to play defense to hold on to their most vulnerable incumbents (such as Jim Matheson in Utah, Baron Hill in Indiana, Dennis Moore in Kansas, and Joe Hoeffel in Pennsylvania), taking precious resources from opportunity seats to fund their survival programs. (With the McCain-Feingold/Shays-Meehan campaign finance law having taken effect on Nov. 6, the Republican financial advantage is likely to become even more important. Democrats have grown far more dependent, on a proportional basis, on so-called "soft money," than Republicans, who have proven to be far more successful in raising "hard" dollars under the constraints of the Federal Election Campaign Act.)

Throughout the cycle, *The Cook Political Report* showed a very small playing field that never really expanded. Over the summer, we showed 40 seats as competitive; our final October issue showed just 45. A little historical perspective here is instructive. Ten years ago, during the last redistricting period, *The Cook Political Report*'s summer issue showed 136 seats as competitive, while the final issue before the election listed 151. In 2002, with so few seats truly in play, Democrats' only hope to gain control of Congress was to win a very high percentage of the closest races. In the end, it was Republicans who won the lion's share of the close contests, winning 10 of the 15 toss-up races.

The political repercussions of redistricting are likely to be seen over the next few elections. In the absence of any sort of national tide (say an economic or international debacle), we will once again have few seats in play—perhaps fewer than during the 2002 cycle. In fact, it is interesting to note that there were no real upsets in 2002. Republicans netted six seats, but only because they won 67 percent of the toss-up races. Republicans didn't pick off any seat in the Lean or Likely Democratic column, and only one seat rated as Lean Republican (the 5th District of Louisiana) went to Democrats, in the Dec. 7 runoff. To give you a sense of just how few seats may be in play next year, take a look at the number of candidates who won with 55 percent or less of the vote (the gold standard for vulnerability). Only 51 incumbents (27 Democrats and 24 Republicans), and even more daunting for Democrats, only 25 freshmen (12 Democrats and 13 Republicans) were at that threshold.

STATUS QUO: New congressional district lines created few new competitive seats, leaving the vast majority of incumbents safe from challenge.

The Democratic donkey needs to get ready for another tough climb up the Hill.

The Senate. Days before Nov. 5, a conventional wisdom developed inside the Washington Beltway that Democrats would hold the Senate and that they might even pick up a seat or two. It's hard to pinpoint where it started, but by the weekend, this thinking hit the pages of *The Washington Post* and *The New York Times*, as well as the Sunday morning news shows, with full force. The problem, though, was that there

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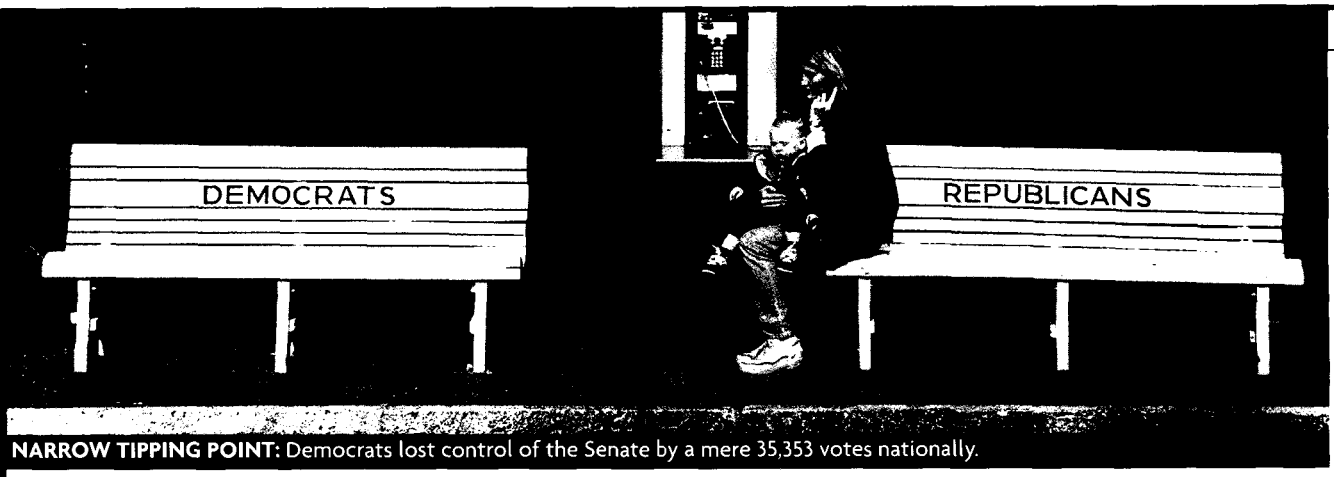

NARROW TIPPING POINT: Democrats lost control of the Senate by a mere 35,353 votes nationally.

was very little hard evidence to back it up. Perhaps the conventional wisdom was the product of admirably good spin, or just wishful thinking, but it was certainly not based on the available facts.

Going into Election Day, *The Cook Political Report* had 10 Senate races in our "Toss-Up" column, five Democratic seats and five Republican ones. These were races that were within the margin of error, and with no overarching set of national issues or evidence of an electoral "wave" driving the election, we felt that it was impossible to predict which side would pick up seats. In fact, it marked the first time in *The Cook Political Report's* 18-year history that we did not make a prediction of net gains or losses in the Senate. It was just as likely that Democrats would hold their majority as it was that Republicans would regain control. The one thing that did seem certain was that these toss-up races would not break evenly between the parties; they never do. In 1998, there were nine toss-up seats, and Democrats picked up six of them. In 2000, Democrats picked up eight of the 10 seats in the Toss-Up column. In 2002, as it turned out, the races broke in Republicans' favor; they won seven of the 10 closest contests.

There is plenty of bewilderment and finger-pointing on the Democratic side of the aisle about what went wrong. And as is often the case, there is no shortage of misinterpretation. The first is the claim that there was a big Republican "wave." If that were the case, then Democrats would have lost a seat or two that was not considered especially vulnerable. The second claim is that Republicans ran better candidates. In fact, three of the five Democratic challengers in the five Republican-held toss-up seats had run statewide before, and the other two (Erskine Bowles in North Carolina and Ron Kirk in Texas) were nothing short of first-tier. There was no shortage of talent on the Democratic side. A third claim is that Democrats didn't raise enough money to get the job done. While some Democratic candidates, notably Bill Bradbury in Oregon, Chellie Pingree in Maine and Bob Clement in Tennessee, can point to a lack of meaningful financial assistance from the party, the fact is that Democrats had the resources they needed in all the races that were close enough to matter.

Democrats did appear to take some things for granted—most importantly, the accuracy of their polling in a truly tough year for pollsters. As usual, there were plenty of questionable polls out there from "independent" academic and media sources. But there were also many races where Republican and Democratic polls differed persistently and substantially. This seems to have raised red flags for Republicans, who spent a lot of time analyzing and reanalyzing their data, but less for Democrats, who took their numbers at face value.

Democrats also appeared to doubt Republicans' ability to motivate their base and get out their vote. Republicans did a masterful job of motivating their base without alienating swing voters. In some races, they ran ads on carefully selected niche issues, such as the "morning-after" abortion pill and taxpayer funded needle-exchange programs, which pushed traditional conservative hot buttons while polling well enough among other voters.

Republicans had not been very successful at getting their voters to the polls in recent elections and were well aware that it cost them dearly in 1998 and 2000. The GOP put enormous resources into get-out-the-vote (GOTV) efforts this year, and it paid off. Many Democrats seemed to feel that their own GOTV programs could withstand the challenge and missed the success Republicans were having in many states with early voting and absentee ballot programs.

> "There is plenty of **bewilderment** and **finger-pointing** on the **Democratic side** of the aisle about what went wrong. And as is often the case, there is no shortage of **misinterpretation**."

Finally, President Bush deserves his share of credit. He was willing to raise money early for incumbents and challengers alike and expend as much of his political capital as necessary. But it would be a mistake to give more credit to Bush than to the message he was able to deliver. Unlike Ronald Reagan, who in 1986 campaigned as much as Bush did, only to lose control of the Senate that year, Bush had a message that broke through the clutter to engage an electorate that was only giving this election half its attention.

In the end, Democrats lost control of the Senate by a mere 35,353 votes nationally. Even though this knowledge probably only adds to the sting of defeat, it shows how close Democrats were to laughter rather than tears. ●

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TAX DEBATE

Democrats shouldn't play the tax cut game on Bush's terms. They should put forward their own ambitious tax reform plan that rewards work and responsibility instead of wealth and privilege. | *by* **Daniel Gross**

IF DEMOCRATS WANT to win the tax battle against President Bush, they need to get off the defensive, and soon. Instead of capitulating to his demands or jumping into a bidding war, Democrats need to change the subject of the debate from tax cuts to tax reform.

For two years now, the Democratic Party has been knocking at the knees over the tax issue—too timid to oppose the Bush plan, too cautious to propose a compelling vision of its own. Along the way, Democrats forgot a central lesson of the 1990s: The only way to defeat big, irresponsible tax cuts is to show what they force the country to give up—and to put forward a compelling, responsible alternative the country can afford.

It's not too late. Democrats should just say "no" to the new Bush tax plan, another headlong rush to reward wealth and privilege. The country can't afford to run up record deficits to open big new loopholes for those who have already got it made.

But it's not enough simply to oppose the Bush plan: The president is all too happy to accuse Democrats of wanting to raise taxes. To beat the Bush rap, Democrats have to go further and show that they alone have a plan to reform the tax code to reward work and responsibility, not wealth and privilege.

TAX MESS: Washington buries taxpayers—and the IRS—in mountains of paperwork. A simplified family credit, along with other reforms, is urgently needed.

The Bush administration—by its own admission—is using the anemic economy as an excuse for permanent tax relief for the wealthy. Like the president's previous tax cuts, his recently proposed

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stimulus package further tilts the system in favor of the fortunate few. Nearly 70 percent of the benefits of its signature proposal—ending the so-called "double taxation" of stock dividends—will go to the top 5 percent of taxpayers. Couple that with his effort to accelerate the tax cuts passed in 2001, most of which also were geared toward upper-income earners, and his true aim becomes clear: a kinder, gentler tax code for America's rich and famous.

Like the first Bush plan, this one has another fatal flaw: We can't afford it. In his first year in office, Bush presided over the fastest run on red ink in the nation's history. Now he is on a pace to turn the record surplus he inherited in 2000 into a record deficit in 2004 and beyond.

But to expose President Bush's Achilles' heel on taxes, Democrats need to put forward an ambitious long-term reform plan of their own. Simply tinkering at the margins won't do. "You've got to beat something with something," says Rahm Emanuel, a former Clinton White House adviser and newly elected Democratic congressman from Illinois. "And I'm not going to be a defender of the tax code."

Democrats need to shelve the John Maynard Keynes textbook and crack open David Osborne's *Reinventing Government*. The challenge they face isn't how to craft a better stimulus bill—any Democrat could do that in his sleep—but how permanently to overhaul the tax system so that it's fairer and less burdensome for middle-class Americans.

While that's no small task, a New Democrat tax reform movement is gaining momentum. Democratic reformers have been circulating ideas to simplify the complex web of tax breaks that are supposed to help families raise their children, pay for school, and build a nest egg. Here are some of their best ideas.

I. Rewarding Work and Family. Leave it to Washington to bury working parents with paperwork in order to get the most basic tax relief. Although family-related tax credits have been expanded in recent years, they remain far too complicated or narrowly focused for many of their intended recipients to benefit. In Chicago, for example, more than $100 million in refunds went unclaimed in 2000 because of the difficulty of applying for the Earned Income Tax Credit.

Want to replace 200 pages of the tax code with a single 12-line form *and* provide tax relief to working families? How about the Simplified Family Credit (SFC) being championed by Congressman Emanuel. "What makes the unified family credit so attractive is its simplicity as well as its progressivity," he says.

The Simplified Family Credit would replace four current programs—the Earned Income Tax Credit, the Child Tax Credit, the Additional Child Credit, and the dependent exemption for children—and provide more benefits to more families than all of them combined. Families would receive $1 in a refundable credit for every $2 earned—up to the maximum credit amount of $3,500 for a family with one child, $5,200 for two children, and $7,000 for three children. By contrast, the EITC provides a maximum credit of $3,900 for a family with two children that earns $15,000.

Not only would the SFC be more generous than the EITC, it also would affect more families. The EITC evaporates entirely for two-child families that make more than $34,178. Under the SFC, families with two children that earn between $35,000 and $120,000 would be eligible for a $3,500 credit.

The cost for this reform proposal: $200 billion over 10 years. "If we're going to spend $200 billion trying to liberate and educate the children of Iraq, we can surely do that for America's children," Emanuel said.

II. Promoting Retirement Savings. Congress has larded the tax code with various tax-favored vehicles for boosting golden-years savings. "Each year, they say, 'Wouldn't it be neat if we did this little twist?'" said Paul Weinstein Jr. of Johns Hopkins University and the Progressive Policy Institute. The result is an indigestible alphabet soup of IRAs, SEP-IRAs, Simple Plans, and Keogh Plans.

The complexity of retirement savings incentives plainly inhibits participation. One survey showed that only 17 percent of employees knew of the different retirement programs geared specifically for workers. What's more, the tax system perversely provides the biggest incentives to save to those who are already saving the most, and provides little incentive for those who lack retirement funds to save. So how can this system be improved?

First, Weinstein suggests collapsing today's 16 different IRA accounts into one. His "universal pension" would resemble today's IRAs, but with a few improvements. Workers could direct cash from 401(k) plans into the new plans. That ensures portability, and guarantees that workers, not employers, will control the funds. In addition, every working American would receive $500 upon reaching the age of 25 to kick-start his or her personal kitty. This "Homestead Act for the Information Age," as Weinstein puts it, would cost about $50 billion over 10 years. Former House Minority Leader Richard Gephardt has already introduced a version of the universal pension as a bill.

That's a start for the tens of millions of individuals who don't participate in IRAs or 401(k)s today. Former White

> "Democratic **reformers** have been circulating ideas to **simplify** and **expand** the complex web of **tax breaks** that are supposed to **help families** raise their children, pay for school, and **build a nest egg**."

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House economic adviser Gene Sperling suggests going further. Instead of repealing the estate tax, increase the per-couple exemption from $2 million to $5 million, thus freeing 99 percent of estates from the tax. Use the revenues saved (an estimated $600 billion over 20 years) to finance a "plan for progressive savings accounts outside of Social Security."

Under Sperling's plan, the government would provide up to $1,000 a year in matching contributions for savings deducted from paychecks—a one-to-one match for middle-income workers and a two-to-one match for lower-income workers. If a family eligible for a two-to-one match were to kick in $700 a year and earn 5 percent on it each year, in 40 years it would amass a nest egg worth $250,000 in 2002 dollars. Private companies or the thrift savings plan now used by federal workers would manage these accounts. Aside from increasing national savings, such a program would harness the power of private markets to supplement existing retirement programs—all of the potential upside of private accounts with none of the risks of privatizing Social Security.

The Bush plan would starve Social Security—and strangle Social Security reform. It would also force tax increases down the road. The Sperling plan would put the baby boom well on the way to a secure retirement.

III. Streamlining Education Tax Incentives. Another area of the tax code ripe for streamlining and simplification is education tax incentives. The federal government provides a myriad of deductions, credits, and tax-favored accounts to help individuals and families save and pay for higher education. Despite these incentives, most families still struggle to find the money to pay for college. A more rational—and more generous—system of education tax breaks would help.

The Clinton administration expanded the number of incentives available to college and graduate students with measures like the Hope Scholarship and the Lifelong Learning deduction. As part of the Bush tax cut in 2001, Congress expanded Education Savings Accounts, which allow families to contribute up to $2,000 annually into accounts that can grow tax-free as long as the money goes to pay for a child's education. Other education incentives in the tax code include "529" accounts, the student loan interest deduction, and the higher education deduction. In all, there are seven different education tax breaks worth $8 billion a year that could be consolidated and made more generous.

Sen. John Edwards (D-N.C.) has already called for a single education credit with one set of guidelines that every family can understand. Weinstein also has a proposal in the works for a single, refundable tax credit that would be available to all students.

Like any meaningful change, none of these tax reforms will come easily in Washington. To pay for these reforms, the country will have to freeze Bush's tax cuts for the top tax rate or stop his total repeal of the estate tax—changes that affect less than one-half of 1 percent of the population, but that Republicans are sure to fight tooth and nail.

Moreover, behind every arcane provision of the Internal Revenue Code lies a hired gun waiting to leap into action and earn his keep as a special interest lobbyist. Let's be honest: While some Democrats will see the value of family-friendly tax reform and embrace it, many would rather simply hang on to the tax revenue and spend it on future programs.

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But Democrats may have few other options to challenge the president on taxes. They've already lost one fight with him on taxes—not just in Congress, but at the ballot box as well. The country can't afford for them to lose another. Tax reform just may be their best choice. ◆

A THIRD WAY ON PAID LEAVE

GENE SPERLING, former head of the National Economic Council under President Clinton, makes another interesting recommendation for rewarding work and family: Why not provide every working family with a $3,000 refundable tax credit to cover the costs of leave and infant care during the first year of a child's life.

Such a credit would solve an important policy dilemma. While the Family and Medical Leave Act entitles new parents to 12 weeks of unpaid leave, many lower and moderate income families simply can't afford to take the time off. Offering extra assistance would change that—without imposing any new costs or mandates that might deter employers from hiring new workers, and without adversely affecting stay-at-home parents, who would benefit from the extra resources as well. Sperling's proposed tax credit represents a Third Way on paid leave.

Since this new credit targets families that are economically deterred from taking time off with a newborn, it only makes sense to limit it to those making under $100,000. Even so, Sperling believes it should be paid for in full, either with a specific revenue saving measure or within the context of a fiscal discipline plan that freezes some of the scheduled rate reductions for the highest income earners in the Bush tax cut. ◆

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ATKINS DIET

Dr. Atkins' Budget Revolution: More meat, less starch.

| *by* **José Cerda III** *and* **Paul Weinstein Jr.**

THE FEDERAL BUDGET is fat and getting fatter every day. Under the Bush administration, we have gone on an unprecedented binge, turning a record $236 billion surplus into a $157 billion deficit. Next year, President Bush will break his father's record for the largest deficit in history, and the White House concedes that deficits will continue for years to come.

Over the next two years, the president will try to blame this splurge on Democratic largesse. To be sure, some Democrats have a constant craving to spend money, but for the most part, their pet programs aren't the ones getting fat. The return to fiscal obesity has less to do with increased domestic spending for highway projects or job training programs—expenditures usually associated with pork-barrel spending—than it does with Washington's return to the trickle-down policies of the 1980s, which were supposed to slim the size of government in the first place.

In fact, the Bush formula for shrinking government may be the most ineffective federal diet craze Washington has ever tried to sell the American public. The White House proposed over a trillion dollars in tax cuts, without removing or reducing a single significant portion of federal spending. Even Ronald Reagan stopped offering new tax cuts when Congress wouldn't swallow the budget cuts. The Bush plan is all-you-can-eat now, diet and exercise later. The president's not starving the government—just the future.

It's time to put the federal budget on a sensible, sustainable, long-term diet that will make the country stronger. We've decided to apply the principles of the Atkins diet, which has helped many Americans lose weight and keep it off.

According to Dr. Robert Atkins, the secret to weight loss is keeping carbohydrates under control. Carbohydrates send our blood sugar on a roller-coaster ride that makes it virtually impossible for us to feel full, burn fat, and lose weight. These "killer carbs," Atkins suggests, are the real roots of America's obesity epidemic.

How can Dr. Atkins' theory help us cut the federal budget? It's simple. Just as his diet has revolutionized the way many Americans look at losing weight and staying fit, we think it's time for Washington to topple the old fiscal food pyramid—once and for all—and replace it with a new budget diet that's rich in protein and low in carbohydrates. Here's what we mean:

In the 1980s, Reagan and his supply-side economists served up a new fiscal food pyramid—one they said would make our government leaner and meaner. At the top, they argued, was the real meat of domestic spending—such as education, police, infrastructure, and technology—which was high in fat and should be used only sparingly. At the bottom were all-you-could-eat tax cuts, which would help wean us off our reliance on federal spending. Most other spending categories were spread through the pyramid's middle, with moderate consumption advised.

Politicians from both parties signed up for the low-fat, supply-side diet. In the hope of slimming government down, they voted to cut taxes and boost corporate perks that were supposed to spur economic growth. But, like dieters who can't stop snacking between meals, most politicians also voted to increase funds for the military and for such domestic programs as grain subsidies. By the end of the supply-side experiment, the national debt had reached its highest level ever and the federal work force was the largest in history. America had become fiscally obese.

So what went wrong? The supply-side diet turned out to be no-calorie pie in the sky. At some point, Washington just plain lost all sense of balance. It forgot that big tax cuts contained even more calories than big spending—and worse, did nothing to curb Washington's appetite to spend.

But, as with our eating habits, we can

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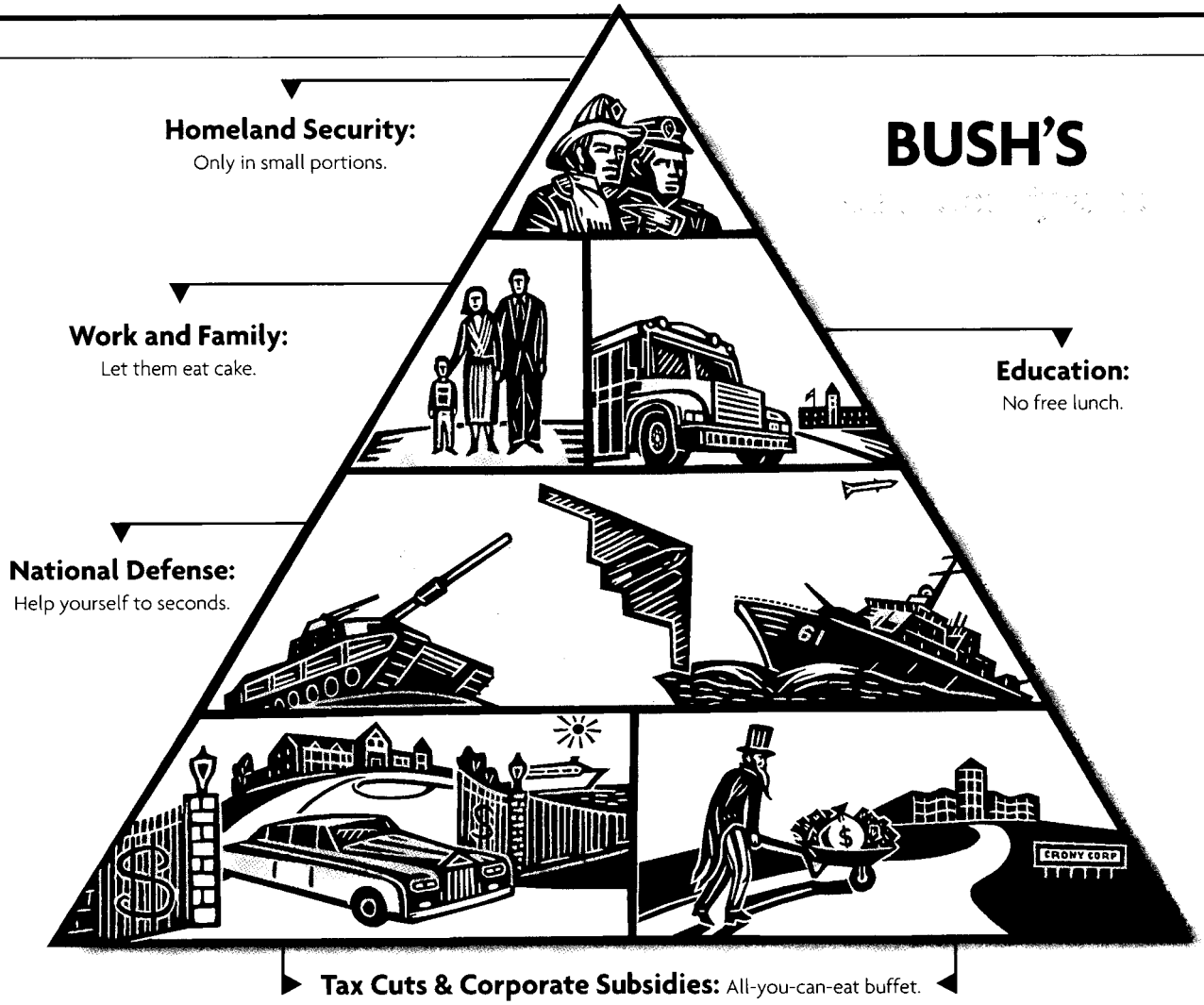

bring our budgets back into balance if we put a new Atkins-style menu on the table. For starters, that means kick-starting the weight loss by cutting back drastically on "killer carbs"—or, for our purposes, large-scale government give-aways that make shrinking the size of government almost impossible. Here's some of the carbo-loading that we can do without:

Tax cuts for the top 1 percent. The Bush tax cut was a boondoggle for the wealthiest 1 percent of Americans. On average, they will get a tax cut of $44,000 each, while middle-class Americans will have to settle for a measly $95 apiece. We could save $750 billion over the next 10 years, and make the tax code a lot fairer, if we froze future tax cuts for families earning more than $200,000 per year and maintained a federal tax on estates valued at more than $7 million.

Reject a second helping. The new Bush tax cut plan offers another heaping helping to the same privileged few who didn't need the last one, either. If tax cuts for the wealthy were the ticket to economic growth, our economy would be at hyperspeed instead of floundering. This time, Congress should take a pass.

Farm subsidies. Two-thirds of farm subsidies go to the richest 15 percent of agricultural enterprises rather than the family farmers who really need the help. While we need to help maintain a network of family food producers in our country, we don't need to line the pockets of big business. It would cost us just $4 billion per year to guarantee every full-time farmer in America an income of at least 185 percent of the federal poverty line ($32,652 for a family of four in 2001), but in 2002 we paid nearly $30 billion in farm subsidies. By limiting farm assistance to those who truly need it, we can save $308 billion over the next 10 years.

Corporate welfare. Our government hands out about $65 billion in subsidies to corporations each year for such things as advertising V8 juice and Friskies cat food overseas. Empowering an independent commission to scrutinize and eliminate some of these handouts could save billions of dollars a year and upwards of $100 billion over the next 10 years.

In total, that's more than $1.5 trillion we could cut from our federal budget diet—all empty calories, with little or no nutritional value. In their place, we can substitute some of the proteins we've been told were off limits, such as spending on better schools, improved infrastructure, or more police and firefighters. They're a lot better for us than all of the supposedly low-fat carbohydrates pushed on us by the old fiscal food pyramid.

George Bush wants to serve up a second helping of the same carbo-loaded, supply-side diet that made the budget fat in the first place. But if we want America to be fiscally lean and mean again, we'd take Dr. Atkins' advice. As he's shown, there's simply no reason we can't have our steak and eat it, too. ◆

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Tax waste, not work

Nothing is more exhilarating, said Winston Churchill, than having been shot at and missed. That's how some Republican Senate candidates felt after the midterm election, when they dodged the bullet on Social Security.

Democrats tried hard to make the election a referendum on GOP plans to "privatize" Social Security, but the gambit fizzled as voters were more alarmed by war and terrorism than personal retirement accounts.

Now the Republicans, emboldened by their midterm gains, are contemplating a new push to allow workers to invest a portion of their payroll taxes in stocks and bonds. In response, Democrats need to forsake their "just say no" stance toward personal accounts and, indeed, toward almost every serious option for modernizing Social Security.

Instead, they ought to trump the GOP's phony "reform" plans by offering a way to pay for personal accounts that doesn't deplete the Social Security trust fund or add to the nation's swelling budget deficits. Here's a not-so-modest proposal: Tax carbon emissions and use the proceeds to fund personal retirement accounts in Social Security for every working American.

Taxing pollution to finance personal accounts would be the public policy equivalent of a triple play. First, it would answer the vexing question of how to finance Social Security's transition from a system of intergenerational wealth transfers to one that also promotes wealth creation and individual ownership of financial assets. Some liberals object that any departure from a pure pay-as-you-go system would subject working families to intolerable economic risks. Others charge that private accounts are a right-wing scheme to enrich Wall Street and weaken public support for universal social insurance. But if all this is true, why have left-leaning governments in Sweden and Britain embraced retirement systems that combine traditional pay-as-you-go features with a private investment option?

Buffeted by a faltering economy, an aging population, and unsustainable growth in social benefits, Sweden in 1997 overhauled its state pension system, adding compulsory private savings accounts funded by 2.5 percent of income. If Sweden's ruling Social Democrats can embrace personal retirement accounts without jeopardizing their progressive souls, U.S. Democrats can, too.

A "two-tiered" system like Sweden's would give every U.S. worker a shot at what was once reserved for the rich: the chance to make their money work for them through long-term investments in stocks and bonds. Most economists believe that we'll all have to save more to retire in the style to which we've become accustomed. And boosting personal savings rates will spur the nation's economy, generating the growth necessary to pay the huge retirement and health costs of an aging society.

Second, taxing waste rather than work (the payroll tax is a tax on labor) to fund personal accounts will pay national security dividends by reducing our reliance on Middle East oil. By making it more expensive to burn carbon-based fuels, we can speed America's transition to cleaner, renewable fuels—as well as new technologies like hydrogen fuel cells—for powering our cars, offices, and homes. It's time to show the world we're serious about kicking our oil habit.

Third, we need a carbon tax to protect the earth's climate. Even the environmental know-nothings who dominate the Bush administration are beginning to realize that, with or without the Kyoto treaty, America cannot simply abdicate its responsibility for cutting its enormous output of greenhouse gas emissions. The best way to do that is to establish a nationwide emissions trading program similar to the one that has proved so successful in the battle against acid rain. The Progressive Policy Institute has long advocated a "cap and trade" system that would encompass electric utilities, transportation fuel, and the manufacturing sector. By auctioning off pollution allowances, we could raise enough money to replenish the trust fund as workers begin diverting a portion of their payroll tax into personal accounts.

Personal accounts, by themselves, won't close Social Security's long-term financing gap, but they can help. Sylvester Scheiber, co-author of *The Real Deal*, a fascinating history of Social Security's evolution, estimates that if all workers put 5 percent of their earnings into their personal accounts, the accumulation over decades of compounding interest could cut the system's long-term deficit in half. We'd still need to make other structural changes in the system, but they'd be much less painful and politically daunting than they seem today.

What's crucial now is that Democrats discard a failed strategy of crying wolf over privatization and defending the status quo. Instead of breaking out the crucifixes and wolfsbane whenever the subject of personal retirement accounts comes up, Democrats should offer the nation a progressive vision of social insurance in the 21st century. ◆

Will Marshall is president of the Progressive Policy Institute.

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Playing with fear

Bush is using investor jitters to redistribute income, again.

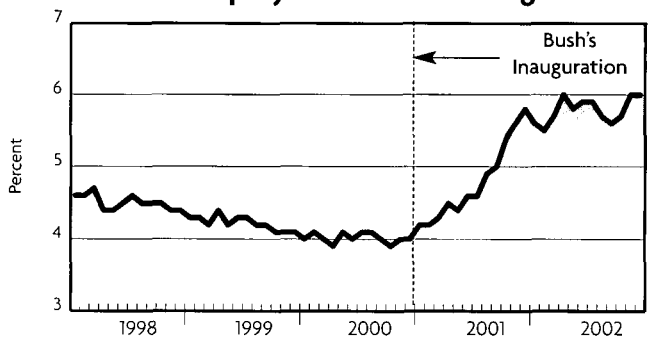
by **Jeff Lemieux**

In President Bush's watch, the U.S. economy continued to sputter last fall. Growth was weak, unemployment was up, business investment was sluggish, health care costs were soaring, the stock market was down more than 20 percent for the year, and holiday sales were mediocre. In short, the outlook for a robust recovery remained dim.

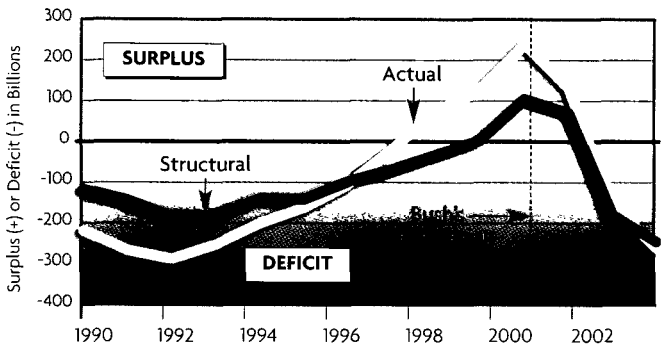
Today, fear of recession still grips many investors—and President Bush is blatantly using those fears in an effort to permanently weaken the progressive tax system. He has seized on the stumbling economy as an excuse to push for a tax redistribution scheme—big tax breaks for high-income Americans—dressed up as a stimulus package. If passed, the $670 billion package will carry us ever deeper into the Bush-era budget deficits that have already wiped out the surpluses of the Clinton era.

1. The job market is getting worse, not better. The number of payroll jobs fell by 101,000 in December, after falling by 88,000 in November. The unemployment rate grew to 6 percent, despite the lowest labor force participation since 1993. We have a long way to go to get the economy back to 1990s-style growth in jobs and wages.

1. Unemployment is Still Rising



2. Actual v. Structural Deficit



2. The budget deficit is structural, not temporary. The Bush administration blames the budget deficit on the recession, but that's wrong. According to the Congressional Budget Office, the "structural" deficit (the deficit controlled for the effect of booms and recessions as well as emergency or one-time spending) has ballooned by $300 billion over the last two years. The structural deficit will continue to mount in 2003 if additional permanent tax cuts are enacted.

Jeff Lemieux is senior economist at the Progressive Policy Institute.

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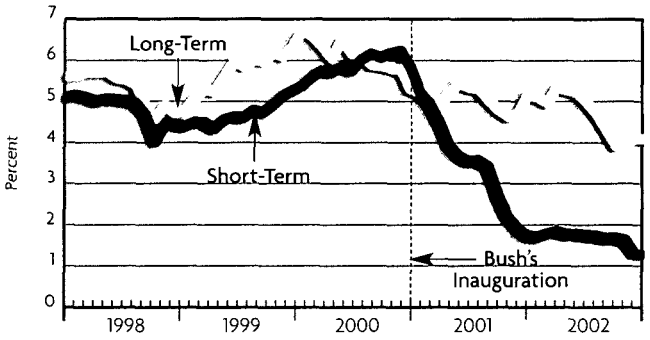
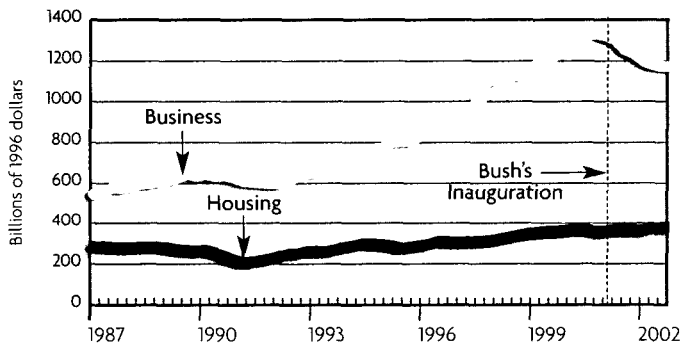
3. Long-term budget deficits will raise interest rates. Despite Bush administration claims that deficits don't matter because interest rates are low, the deficits will in fact slow long-term growth over the next 10 years. Interest rates are currently low only because of Wall Street's fears of a double-dip recession or even deflation.

3. Interest Rates



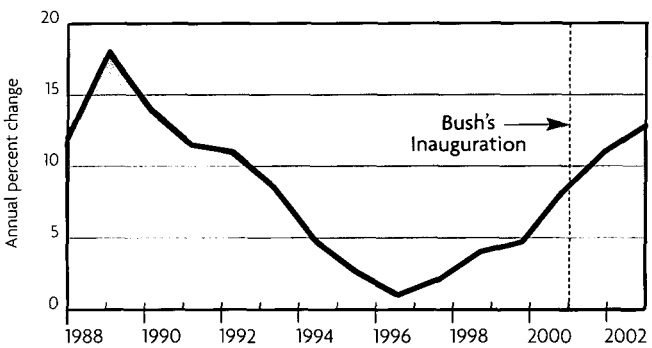
4. Investment



4. *Business investment is down.* Low interest rates have not spurred business investment (despite steady housing investment). In a weak economy, businesses invest based on the outlook for demand, not the cost of capital. Low capital costs are vital to entice businesses to make productivity-enhancing investments *in good times*—but they will never entice businesses to make investments in products they can't sell.

5. Health costs are soaring. Premiums for employer-based health insurance are rising at double-digit rates, mostly due to the lagged reaction to the switch from managed care in the early 1990s back to less restrictive health benefits in the late 1990s. Government spending for Medicare and Medicaid is also surging. ◆

5. Employer-Based Health Premiums



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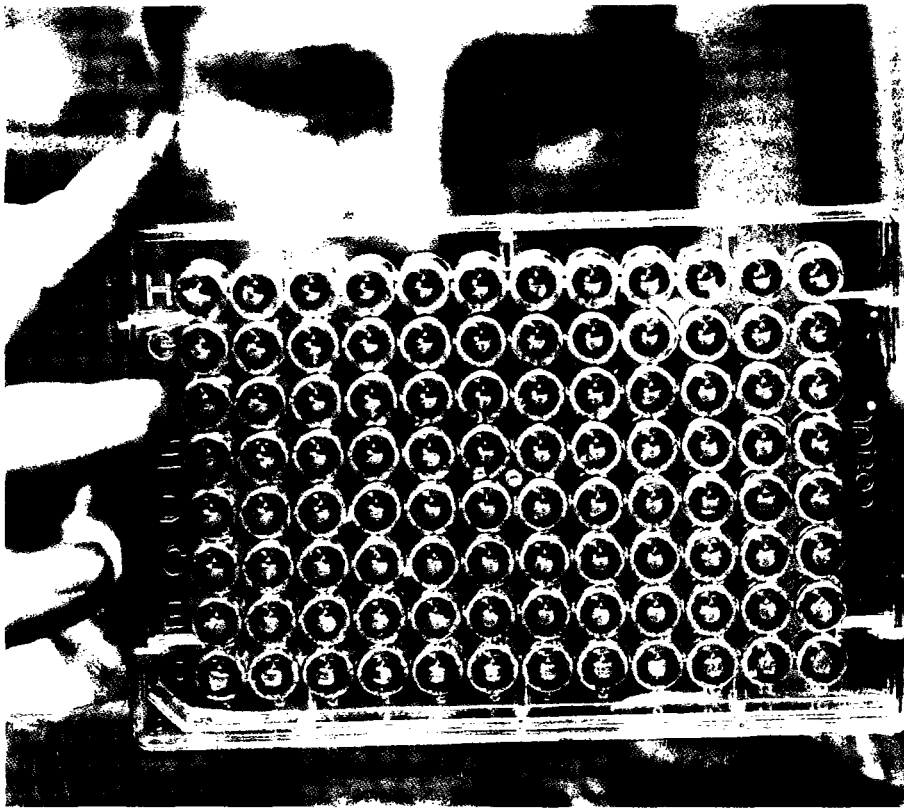
Electing a technology president

The Bush administration is not leading on technology. Democrats can.

by **Robert D. Atkinson**



GETTING AHEAD OF THE CURVE: Scientists in the Human Genome Project, like this one at M.I.T., thrived during the Clinton years. Now that the Bush administration is cutting some research budgets, it's time for a Democrat to capture the mantle of the technology president.

If there has been one major change in American society during the past decade, it has been the emergence and widespread use of powerful new technologies. And yet, the country is without leadership when it comes to fostering the technological developments that will continue to profoundly change our world. This failing provides Democrats with a powerful opening to show that they are the party that grasps the transformative power of technology and can lead the country into its technology future. Democratic presidential candidates today have a unique opportunity to make a distinctive statement to show they will make technology innovation a key part of their administration.

From biotechnology to smart bombs, from satellite GPS systems to e-commerce, technology is clearly reshaping our world. Moreover, this is just the beginning. The information technology (IT) revolution continues apace. For example, sending the 32-volume *Encyclopedia Britannica* on the Internet from New York to San Francisco would have taken 97 minutes in 1970; today it takes less than half a second. The digital transformation of the economy—"e-transformation"—is just beginning, and it is poised to continue to deliver the kinds of robust productivity gains we have experienced in the past six years. Genomics is leading to previously unimaginable breakthroughs. Customizing drug treatments designed to fit a person's specific genetic makeup is not far off. Bio-engineering will play an important role in boosting productivity in the agriculture, fishing, and timber industries. Nano-technology holds the potential to transform medicine, computing, energy, food, and a host of other areas that would benefit from new materials or items engineered from the atomic level up.

In short, it's not an exaggeration to say that one of the most important factors determining our nation's future is technological innovation. While business and the market will drive technological innovation, government's role is critical. After all, government R&D funding led to the Internet, the World-Wide Web, the Web browser, fiber optics, bar codes, MRI machines, mapping the genome, and a host of other technology innovations that now make life better and the economy more productive. And Democratic leaders were responsible for much of that funding.

Moreover, technology is becoming a more important component of a host of public policy areas that have long relied on three traditional tools: tax policy, government programs, and regulation. In short, technology can be the fourth leg of the government stool. Entire policy areas, including health care, national defense, homeland defense, transportation, energy, environment, crime, and the economy, may largely be determined by how well we develop and deploy advanced technologies. Even the future solvency of Social Security depends on technological innovation, because the only solution, other than to raise taxes, cut benefits, or open the borders, is to raise productivity, and

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the best way to do that is through technological innovation.

Despite the manifest importance of these developments, the Bush administration is rapidly turning itself into the anti-technology administration. It has politicized science (the best example is its positions on stem cells and therapeutic cloning), cut funding for key areas of federal R&D, and been recalcitrant to develop strategies to employ technology in key areas of public policy, including homeland defense. The federal government once played a key role in supporting cutting-edge research, funding more than 67 percent of research in the 1960s, with business and universities picking up the rest. The Clinton-Gore administration pushed to increase research funding, with visible results. Yet under President Bush, federal support for research projects is likely to fall to around 25 percent of total research spending this year.

While Democrats have done better, they have not gone far enough in articulating a coherent, high-profile pro-technology strategy. This is partly because some key Democratic constituencies are ambivalent about technological innovation, or even hostile to it. The party is, after all, home to its share of neo-Luddites: The longshoreman's union opposes new automation technologies; environmentalists rail against bio-engineered foods; social policy advocates decry the digital divide; privacy zealots warn against government use of technology for homeland defense. Other Democratic constituencies simply ignore technological innovation in favor of traditional interests, such as more spending on social programs or more regulation.

So why should a Democratic candidate be a technology advocate, if it will annoy key constituencies? Besides it being the right thing for the country, the answer is that most Americans understand that technology is a powerful force for progress, and they will respond positively to a message that reflects that. Moreover, it is an area where, for both ideological and budgetary reasons, the Bush administration will have difficulty competing.

For starters, every Democratic candidate should convey a clear message to voters—that Democrats are unequivocally on the side of progress and technological innovation, not on the side of special interests. It also means committing themselves to a host of progressive technology policies (see box above).

In making technological innovation a key component of the 2004 campaign, a candidate's goal should not be simply to propose initiatives that can form his "technology position," or to get into a bidding war with President Bush about who is the most "tech-friendly." Rather, the goal should be to make it clear that Democrats grasp the profound importance of technology to our future and will use government to apply this power to a wide range of policy areas. This is a message Americans want to hear. ◆

Setting America on the progress track

Candidates should adopt and forcefully promote a 10-point American Progress Plan that will:

1. Aggressively create 21st-century ***digital government*** at the federal, state, and local levels, using technology to cut the costs of government and break down bureaucratic barriers to citizen access. As a first step, propose the establishment of a federal chief information officer who reports directly to the president.

2. Develop, in partnership with key stakeholders, national strategies to spur the widespread use of technologies in key areas of ***public policy***, including transportation, law enforcement, homeland defense, education, and health care.

3. Challenge private-sector entrepreneurs to match federal funds to establish a digital opportunity fund to develop the best online resources in ***e-learning for children and adults***, and commit to ensuring that every teacher can communicate by email with parents.

4. Work to create a patient-centered, Internet-based ***health management tool*** that would give Americans direct access to medical information, including their own health care records, access to their health care providers, and customized information fitting their own medical needs.

5. Use IT to modernize ***law enforcement***, by giving every cop on the beat access by computer and wireless devices to public safety information systems, and creating a national homeland defense network that links local law enforcement, the FBI, intelligence agencies, and the Department of Homeland Security.

6. Deploy a national real-time congestion monitoring system on the nation's ***interstate and state highways*** in metropolitan areas to let commuters see road conditions in real time on the Internet.

7. Establish at least 20 clean technology consortia involving industry, universities, and government to develop the next generation of ***cleaner production technologies*** in polluting industries such as chemicals, steel, and pulp and paper. In addition, we should commit to sharing these technologies with developing nations.

8. Empower Americans to ***address intrusive marketing*** in the digital era by creating robust "do-not-call" and "do-not-spam" lists, while also supporting the development of other technologies that give citizens control over their online privacy and online content.

9. Advance a national ***broadband demand strategy*** to, among other steps, create a national digital lending library, put PBS television shows online, and create a national online science museum.

10. ***Boost research and development***. Triple the National Science Foundation's annual budget from around $5 billion to $15 billion, and the Department of Energy's annual clean energy R&D budget (hydrogen power, solar cells, wind power) from around $600 million to $1.8 billion. Make the R&D tax credit permanent, and also expand it to support collaborative R&D and enable start-up companies to access it. Fund the creation of the next generation of cyber-infrastructure for collaborative R&D.

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Why people need affordable cars

Easy credit means high rates for low-income buyers.

by **Anne Kim**

The nation's big automakers lately have showered shoppers with fantastic deals: zero interest, zero down, "cash back" discounts, and more. Interest rates on new car loans hover at around 6 percent. Buying a car has never been cheaper or easier for America's middle class.

But for lower-income customers, car shopping is fraught with high costs, hidden expenses, and sometime less-than-honest dealers.

Many working poor Americans pay a much higher relative price for basic transportation than their middle-class counterparts do—with dire consequences for their economic health and physical mobility.

High-cost transportation means less money for daily necessities and unexpected financial shocks. For some families, higher costs make cars completely unaffordable, and they are then trapped with limited access to employment or affordable housing.

Having a car can also mean the difference between staying in poverty and leaving welfare. Studies indicate that welfare recipients with cars are much more likely to work and to make more money.

To help erase this "car-ownership gap," Congress should try to eliminate the artificial barriers erected by the auto-lending industry against low-income borrowers. The auto market that low-income shoppers face today is one of few choices and high prices. But through judicious intervention, Congress can promote a more competitive market that will help equalize all families' access to affordable cars.

The price of subprime lending. In Northeast Washington, D.C., a dingy strip of Bladensburg Road is lined with car dealerships that cater to the poor. Hand-lettered signs offer low prices and "easy credit."

But what these dealers are actually selling is expensive credit at interest rates

Anne Kim is director of the Work, Family, and Community Project at the Progressive Policy Institute.

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that are triple what mainstream buyers pay, with down payment requirements as high as half the purchase price. Some dealers also persuade their customers to buy and finance needless and expensive products, like credit life insurance, which pays off a debt if the borrower dies, at the same high rates.

These dealers are part of a loose and fragmented substratum of specialized auto finance companies—so-called "subprime" lenders. They target buyers with low incomes or poor credit, such as low-wage workers, recent immigrants, or former welfare recipients. Some subprime lenders are affiliated with large, publicly traded finance companies; others offer "in-house" financing, using their own capital.

Many poor families have no choice but to use these corner-lot dealers. In fact, as interviews with dozens of Washington-area dealers confirm, working poor families are virtually shut out of the mainstream auto finance market. Generally speaking, full-time minimum wage workers would not meet most dealers' income requirements for prime-rate financing.

While new-car buyers are borrowing at around 6 percent, interest rates on subprime car loans average between 15 percent and 19 percent, sometimes higher. The interest rate on pools of loans issued by Consumer Portfolio Services Inc. during the past four years averaged slightly above 20 percent.

For a four-year loan with an initial principal balance of $10,000, the difference between 6 percent and 17 percent interest translates into monthly payments of about $235 versus $289—a significant amount of grocery money. Over the life of a four-year loan, the extra interest totals nearly $2,600.

The large down payment required by many subprime lenders also means less car for more money. At 5 percent down, a prime-rate borrower gets a $10,000 car for $500 cash. But for a poor borrower who must put half down, $500 will buy only a $1,000 lemon. Low-income buyers also must spend a long time accruing large amounts of cash that could otherwise be used for daily necessities.

High payments also have the perverse effect of trapping borrowers in the subprime market. For families living from paycheck to paycheck, small financial setbacks—such as an illness costing several days' pay—could easily cause a default. Thus, some families may never establish the good credit necessary to move up the ladder into prime-rate financing.

Rates vs. risks. Subprime lenders argue that their rates are merely a function of their risks, since lower-income borrowers are somewhat more likely to default on their obligations and have fewer assets to serve as collateral. Yet the profits from these high-risk loans are impressively high, and the industry has grown impressively large. Ugly Duckling Corp., for example, reports that its average gross margin per sale in fiscal 2001 was $3,906, or 42.9 percent of the average sale price.

LUXURY RATES: New cars often have zero percent financing, but the poor can't qualify.

> "Encouraging mainstream companies to enter the subprime market would mean more players, more choices, lower prices, and better industry information about the real, not the imagined, risks of lending to the poor."

Household Finance Corp., one of the nation's largest subprime financiers, serviced nearly $6.4 billion in auto loan receivables in fiscal year 2001, more than double the amount serviced only two years before.

Delinquency rates as reported by public subprime companies are also lower than one might expect. At Household, delinquency ratios in 2001 varied between 1.77 and 2.89 percent—comparable to the 2.4 percent delinquency rates at the prime-rate General Motors Acceptance Corp.

The evidence points to one conclusion: that subprime companies charge credit-card rates for car loans not because they have to, but because they can.

Making cars more affordable. Congress can make cars more affordable for low-income borrowers by increasing competition in the industry and thereby helping to lower prices. Encouraging mainstream companies to enter the subprime market would mean more players, more choices, lower prices, and better industry information about the real risks of lending to the poor—rather than the imagined ones.

For starters, Congress should create disclosure requirements that would help bring to light the industry's current treatment of lower-income borrowers and uncover any abuses. Unlike the home mortgage industry, the auto industry is a black box with very little national data available on its practices, especially toward low-income and minority borrowers. More information on the borrowing habits of lower-income customers might also encourage mainstream companies to re-evaluate their attitudes toward the low-income market.

Government should also address the other half of this equation by using every available avenue for promoting financial literacy, so that car buyers can avoid outright scams and make wiser choices. Free credit counseling should be widely available and included in welfare-to-work programs.

High-cost financing perpetuates the transportation gap between low-income families and the middle class, which in turn results in a persistent lack of opportunities for the poor. Policymakers should make the mobility of low-income workers—both physical and economic—a priority. ◆

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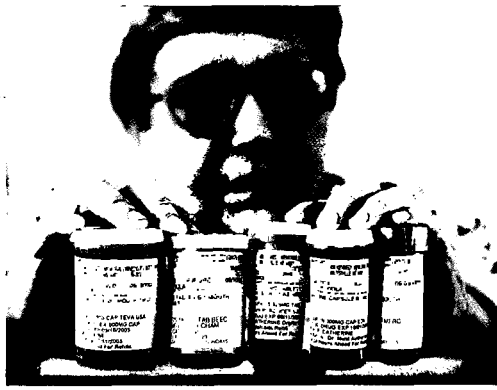
Rx for success

How Democrats lost the prescription drug debate—and a new prescription for the future.

by **Sarah Bianchi**



BITTER PILLS: The new focus should be on lowering drug prices.

Prescription drug coverage was supposed to be just what the doctor ordered for Democrats in 2002. The party had a comprehensive plan endorsed by Democrats across the political spectrum—from Sen. Zell Miller of Georgia to the late Sen. Paul Wellstone of Minnesota. The House Republican plan looked more like Swiss cheese than a real drug benefit.

But it was no magic pill. Instead of enjoying victories in the House and Senate, Democrats lost control of both chambers. In the process, they even lost the senior vote.

Republicans were disciplined in their efforts to blur the differences between their proposals and the Democratic plan. They banked on the fact that Americans aren't bean counters and that a fight over deductibles and so-called "doughnut holes"—or gaps in coverage—would be too hard to follow. They jammed their flawed plan through the House. When the Senate couldn't pass a plan, Republicans were ready to pounce, accusing Democrats of pandering to seniors, not offering real solutions. And now that Republicans have control of the whole government, there is little question that they will try to co-opt the prescription drug issue for the next two years.

Democrats need to be ready with a new plan. Here's what they should do:

First, don't try to win a bidding war. Democrats almost never win a fight over dollars, because all voters tend to hear is the reflexive demands of big-spending liberals. Crying out that $350 billion is inadequate not only sounds ludicrous outside Washington, it rings hollow in a sputtering economy with growing deficits.

Second, don't pit the party against the innovation promised by drugs. Drugs are a critical and growing part of health care, especially for people with chronic illnesses, which afflict three-fourths of all Medicare beneficiaries.

Instead, the real fight Democrats should wage is over the cost of drugs. The key is to ensure that beneficiaries and taxpayers get the best value from a drug benefit. Every year it becomes harder for the country to afford a Medicare drug benefit because prescription drug costs are soaring at double-digit rates. A comprehensive benefit with no gap and a reasonable premium is likely to cost about $1 trillion. If Democrats continue to try to win this issue through a bidding war, the price tag will become the central object of criticism—and a valid one at that.

Moreover, Democrats have important and powerful allies on the cost issue. Holding down drug costs will not only help seniors who lack drug coverage but also provide relief to employers, employees, states, and insurers who are feeling the pain of rising costs.

Of course, the cost issue will only work for Democrats if they offer real answers. Price controls won't work. But restoring the principles of genuine competition and fiscal responsibility to the drug debate will be good for consumers and businesses alike.

Last year, the Senate passed legislation to bring more affordable generic drugs to the market. House Republicans and the Bush administration opposed that effort, resorting to a half-baked regulatory fix designed to give Republicans political cover. With the potential for saving as much as $60 billion, the push on generics should continue to be a centerpiece of the Democratic agenda.

However, more can be done. Many states are desperately trying to improve the price Medicaid pays for drugs. In fact, even states under conservative leaders like Florida Gov. Jeb Bush have taken steps to hold down drug prices. Democrats should adopt the best cost-cutting models. This will not only reduce costs for beneficiaries and taxpayers, it will force Republicans to show whether they have a plan to hold down costs.

At the same time, Democrats should stop promising the moon on prescription drugs. They should set their sights on a reasonable, achievable benefit. Last year, New Democrats offered an alternative that would have provided all seniors a discount on every trip to the pharmacy and ensured that no senior's savings were wiped out by drug costs. It would have limited annual drug costs to $4,000 and provided comprehensive coverage to low-income seniors. This approach contained no additional premiums for beneficiaries, so every senior would come out ahead.

Finally, Democrats should remember that misuse of prescription drugs is a big problem among seniors. Many are overmedicated because no single doctor is coordinating their care. In addition, everyone is at risk when a pharmacist misreads a doctor's handwriting and when no one checks to see whether the mixture of medications prescribed by different doctors is dangerous.

A robust cost-cutting and quality-improving agenda—combined with a reasonable prescription drug benefit run though Medicare—would give Democrats a plan to hold down health care costs and offer real help. That's a prescription that could help us all get well. ◆

Sarah Bianchi is a senior policy analyst at the Democratic Leadership Council and a former domestic policy adviser to Vice President Al Gore.

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A call to service in a time of war

Short-term enlistment would entice even well-educated and well-off Americans to bear arms.

by **Marc Magee** *and* **Steven J. Nider**

With America embroiled in a global war on terrorism, with the increasing likelihood of a conflict with Iraq, and with tensions rising on the Korean peninsula, public attention has turned to a crucial question: Who is doing the fighting and dying for all of us? President Bush has been silent on this question, choosing instead to make a call to part-time volunteerism the service component of his war mobilization. New Democrats, by contrast, have been working since 9/11 to reconnect national service and national defense.

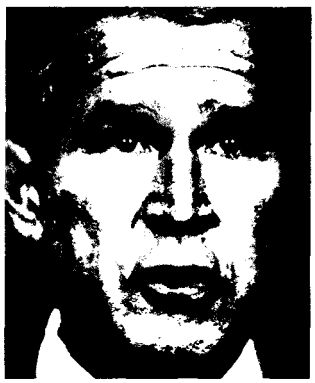
On Dec. 2, 2002, this hard work paid off when the military pillar of the Bayh-McCain "National Call to Service" bill—a new short-term "citizen-soldier" enlistment program—was signed into law as part of the fiscal 2003 defense authorization. This initiative represents the most important change in military recruitment policy since the draft was ended. It enables volunteers to sign up for 18 months of service on active duty—the average enlistment now is four years—followed by service in the Reserves and then either a period of availability in the Individual Ready Reserves or civilian service in AmeriCorps or the Peace Corps. By shortening the length of enlistment and basing recruitment on a call to service rather than the current focus on cash incentives, this citizen-soldier plan offers the nation's most fortunate sons and daughters a voluntary equivalent of the old draft—a way to contribute to America's defense without choosing a military career.

The military's current recruitment strategy—one based on economic incentives and career-track enlistments—does not entice many well-off or well-educated citizens. For example, the percentage of Americans in uniform with college experience is only 28 percent, versus 56 percent of the civilian population. The disconnect between American elites and the military is even greater. The percentage of congressional members with military service has declined from 75 percent in 1971 to less than 34 percent today. In addition, despite the large-scale military mobilization since Sept. 11, 2001, only a few members of Congress have a son or daughter in the armed forces, and only one of those is in the enlisted ranks.

The new short-term enlistment option offers a way to reverse this growing civilian-military divide. Research by Northwestern University professor Charles Moskos, the country's pre-eminent military sociologist, demonstrates that use of the new short-term enlistment track could hel share the burden of military service mo equitably by removing one of the mo important barriers to military service fo college graduates: the long-term enlis ments, which graduates perceive as obst cles to their larger career goals. In additio the enlistment of these citizen soldie could help ease the growing strains on o military created by the long-duratio campaigns of the war on terror by bringin more full-time soldiers into a force overl reliant on reserve personnel. Finally, eve with the largest increase in defens spending since the Reagan administra tion, having the resources necessary t win the war on terror will require that w make every effort to get the most out c each dollar. By meeting our recruitin

"The United States does not consider it a sacrifice to do all one can, to give one's best to our nation, when the nation is fighting for its existence and its future life. It is not a sacrifice for any man, old or young, to be in the Army or the Navy of the United States. Rather it is a privilege."

—Franklin D. Roosevelt, Dec. 9, 1941



"I'm asked all the time, what can I do to help? People say, 'Well, gosh, I want to be a part of the war against terror.' And my answer is, love somebody. Be a good mother or dad."

—George W. Bush, Jan. 30, 2002

Marc Magee is the director of the Center for Civic Enterprise at the Progressive Policy Institute. **Steven J. Nider** is director of foreign and security studies at PPI.

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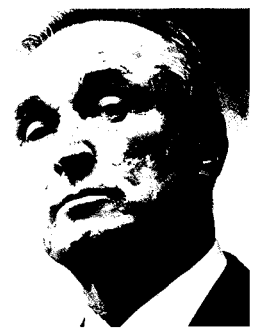
Bill Bratton's new challenge: Los Angeles

Can the police chief who turned around New York and Boston work his magic in gang-riddled L.A.?

by **Rob Lott**

Not many police chiefs are famous. But William Bratton, newly appointed chief of the Los Angeles Police Department, has earned a national reputation with his legendary résumé. He was in charge in Boston and then in New York City, as each went through its own remarkable crime-fighting turnaround. In New York, serious felonies were down 33 percent during his tenure, from 1994 to 1996. By the time he left the job to become a much sought-after consultant, New York's murder rate had fallen to 984 a year, down from a high of 2,262 in 1990.

Bratton publicized his successes in a 1998 book, *Turnaround: How America's Top Cop Reversed the Crime Epidemic* (Random House, 1998). That, along with his subsequent success as a consultant to police departments around the country, helped make him a star. Now Bratton brings his experience and reputation to the LAPD, a department that has been caught in a demoralizing downward spiral since the 1992 riots that followed the acquittal of four officers who beat Rodney King. In recent years, under the watch of several ineffectual police chiefs, the city has experienced rising crime rates, raging gang violence, and widespread corruption in the police department's anti-gang unit, called "Rampart." The City of Angels, which recorded 658 homicides in 2002, is now the murder capital of America (Chicago was second with 645, New York third with 580).



TOUGH TALK: "If you don't want to work in the department, get the hell out."

Reversing the negative trend may be an even bigger challenge than the one Bratton faced in New York. "New York was the perfect storm," Bratton said in an interview with BLUEPRINT. "All the conditions were there in 1993 to make the turnaround possible." The economy was beginning to roar, drug use was declining, more officers were on the streets, and there was an institutional commitment driven from City Hall—a "broken windows" campaign—to stop even small quality-of-life crimes.

Los Angeles in 2003 presents a different picture. With the national economy slumping, California faces a $35 billion deficit, and Los Angeles is feeling the pinch. "We have very few resources," says Bratton. Los Angeles has only 9,000 police officers, one per 409 residents. (New York, by contrast, has 38,000—one per 209 residents.) When Bratton took office, his goal was to raise the LAPD roster to 12,000 officers. But budget constraints have forced him to abandon that hope temporarily. For now, Bratton and his force must do their best to cover a geographic area more than twice the size of New York City's five boroughs, while facing down gangs with a combined membership estimated to be as high as 100,000.

"Gang violence is the principal propellant that fuels the crime problems in the city and up and down the coast," Bratton says, warning that the recent spike in Los Angeles' murder rate might get worse. "This is just the tip of the iceberg in terms of its potential as a new problem." To confront the threat, Bratton

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Rob Lott is Daniel Dutko Fellow at the Progress and Prosperity Project of the DLC.

needs through a call to service instead of larger cash incentives, the enlistment of citizen soldiers will make certain that we have the resources needed to carry on this fight as long as necessary.

While the passage of the military pillar of the Bayh-McCain national service bill is a significant step forward, much more needs to be done this year to assure that we meet the challenges ahead. We propose three benchmarks for success in 2003. First, the new citizen-soldier program should be brought up to scale by assuring that important occupations with short training programs, such as military police, psychological operations, and military intelligence, are included in the initial implementation plan and by setting a target of recruiting 25,000 citizen soldiers in the program's first year. Second, the military pillar of service should be connected to an expansion of civilian service opportunities by increasing the size of the AmeriCorps program by 25,000 members in 2003 and dedicating one-half of the increase to homeland security projects. Third, the nation's leaders should go beyond the president's call for part-time volunteerism to make a clear call for full-time national service, including service as citizen soldiers. Only then will we begin to meet the challenges to our collective security—just as President Franklin D. Roosevelt called for in 1941—with the privilege of service to the nation shared equally by all its citizens. ◆

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Bill Bratton

Continued from page 39

has announced a new offensive that calls for creating teams of citizens, community leaders, law enforcement authorities, prosecutors, and school district officials. Led by a newly appointed LAPD gang czar, they will work together to develop intelligence and crime-fighting strategies.

The new approach to gangs is emblematic of Bratton's broader effort to lead an intense organizational transformation of the LAPD. Bratton wants all his officers—and the communities they serve—to re-examine the very role that police play.

"There are similarities between Los Angeles 2002 and New York 1993," he says. "Both are reactive organizations, accepting no responsibilities for stopping crime."

It's a situation familiar to him from his days as a local beat cop in the 1970s, patrolling the gritty streets of Boston's Dorchester neighborhood, where he grew up, with an attitude that a cop's job was not to prevent crime, but only to make arrests after crimes are committed. It's a reactive model that Bratton calls "depolicing."

The reactive approach, Bratton claims, was partly to blame for the widespread belief among crime-fighting professionals that a police force couldn't do much to affect a community's crime rates. He declares the opposite: "I embrace the community policing model, as opposed to the professional model—disengaged and aloof." In fact, Bratton's mantra today is: "Police do count." He frequently uses the slogan to inspire his troops and impress the politicians at city hall. "Police have a role in addressing the cause of crime. Police can make a difference. Police do count," he says.

Of course, it's one thing to say that police make a difference; it's another thing entirely to get actual results and effect the change you've promised.

Bratton built his reputation in part by demanding accountability from his officers, especially precinct commanders. In New York, he required commanders to keep comprehensive records on the latest crime patterns in their precincts using a system known as CompStat—a computerized, statistical approach to crime-fighting accountability. Over time, commanders whose precincts did not show improvement were replaced. "Working with police officers, you have to give them discretion but hold them accountable," Bratton says. "You have to find a balance."

The Bratton formula. To create the conditions in which officers can work most effectively, Bratton aims to reorganize the LAPD in much the same way that he did the NYPD. In New York, the department was divided into three critical units—patrol officers, detectives, and narcotics agents—who failed to communicate effectively with each other.

Most of the violent crimes that detectives were busy trying to solve were drug-related. But the patrol officers and detectives responding to daily calls were not benefiting from the experience of narcotics officers assigned to the same neighborhoods—they were often preoccupied with tracking fickle informants in hopes of scoring the Big Bust. "They were off chasing the Kilo Fairy," says Pat Harnett, a 28-year veteran of NYPD, who was a self-described "skeptical old-timer" when Bratton arrived. He was won over, though, by Bratton's ability to bring the three disparate units together, and return the focus of each of them to the neighborhoods. "The best community policing officer you can have is the precinct commander," Harnett says. "You've got to change the paradigm." Bratton did just that.

Longtime Bratton friend and consultant Bill Andrews describes the results in New York dramatically: "The localization of the narcotics division [in the neighborhoods] was one of the most effective community policing efforts ever undertaken."

The Bratton formula also calls for persuading the community to buy into his reforms. "Police clearly can't do it alone," he says. In New York, officers once seen by residents as adversaries now get out of their squad cars and meet with community members to address concerns. A new trust developed, and the NYPD has found friends among the city's average citizens.

Bratton achieved that reversal in part by using the press to help get the message out. He even appointed a former television news crime reporter, John Miller, to be deputy commissioner of public information. (In Los Angeles, he has hired Miller to head a new homeland security office.) After that, Bratton spent a lot of time in front of the camera and once appeared on the cover of *Time* magazine. Some accuse him of stroking his ego and hogging the limelight. But others cite a more honorable motive for his interest in publicity. They say he utilizes publicity to gather support and bring serious problems to residents' attention. "It is a way to engage his officers and the community," Andrews said. "He's extremely good at getting up a head of steam behind key issues."

The final ingredient in Bratton's formula is fostering support from the officers who must put his tactics into action. Bratton came into Los Angeles saying, bluntly, "If you don't want to work in the department, get the hell out." That ruffled many feathers, but the new chief has since embarked on a goodwill tour. He has spoken openly with his officers, dropping into precincts around the city, promising them the department's public support and soliciting their ideas. "Police are a thoughtful lot, but most people don't tap this resource," Andrews said of the chief's willingness to embrace officers' ideas. "If there is one thing that counts for his success, that's it. If you lose the street cops, it doesn't matter what your policies are."

Independent consultant Joan Brody echoed Andrews' assessment: "He's not afraid to support his officers and promote creative thinkers. That style inspires people to do more."

Will the Bratton formula eventually spark another successful turnaround for him to put on his résumé? Los Angeles hopes so. As city council member Jack Weiss said recently, "Bratton is the last best hope." ●

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Misunderestimating Bush

Will Ferrell got out just in time. Not so long ago, most Democrats shared the Saturday Night Live star's view of George W. Bush as a president in over his head. Now, after Bush's resounding triumph in the 2002 midterms, some Democrats still may doubt the president's intellect—but they're not laughing about it any longer. That may be the only silver lining in this past election: Now that the era of low expectations is over for Bush, Democrats can focus on his real shortcoming—results.

Few have benefited more from the soft bigotry of low expectations than Bush, who has beaten the spread throughout his career. He made a bundle in business when no one thought he knew what he was doing. He won the Texas governorship when Ann Richards had trouble taking him seriously. He won the first presidential debate, as he said himself the next day, just by showing up and remembering his own name. Even his own mother didn't think he was the son who would become president.

History is full of great defeats in which the losing side underestimated its enemy. Indeed, Republicans routinely made the same mistake with Bill Clinton. In 1992, Bush's father lost to Clinton in part because Republicans were convinced that nobody who had avoided the draft could be elected president. (Another valuable lesson 43 learned from 41's mistakes!)

But no White House has ever worked so hard to make the country expect so little. From the outset, the Bush policy agenda has been to lowball: talking down the economy, warning that more terrorist attacks are inevitable, expressing doubt that we'll ever catch bin Laden.

The White House has been careful to make Bush sound tough, decisive, patriotic—but never smart. When the president abuses the English language with what journalist Jacob Weisberg calls *Bushisms*, White House spinmeisters don't try to insist Bush was misquoted, or blame some speechwriter for careless syntax. Generally, they just laugh it off. Presidents say the darnedest things!

No Democratic president would tolerate being thought of as stupid. LBJ would have boxed people's ears for less. How, then, could this savvy, disciplined, image-conscious White House be so nonchalant when Americans question the commander-in-chief's intelligence? If the president sometimes seems slow, that must be exactly what he wants us to think.

Bush goes out of his way to make Democrats think they're smarter than he is. He knows that every time he says "misunderestimate" or "make the pie higher," expectations of him return to zero. The Bush White House also knows that hubris is Democrats' great weakness, the tragic flaw that brought down Adlai Stevenson, Jimmy Carter, and Mike Dukakis.

And let's face it: Republicans may be smug about holding power, but Democrats are smug about brain power. Democrats secretly cheer whenever Republicans choose someone whose intellect can be questioned. The party of intellectuals has fond memories of mocking *The Wit and Wisdom of Barry Goldwater* (all the pages were blank) and wondering whether Gerald Ford played too much football without a helmet. In 2000, Molly Ivins mocked Bush as "Shrub" and Paul Begala skewered him in *Is Our Children Learning?*

Unfortunately, Republicans cheer even harder. Karl Rove understands that the real battleground in American politics is not the ideopolis that John B. Judis and Ruy Texeira describe in *The Emerging Democratic Majority*. Democrats lost the midterm elections in what sneering elites might call "idiot places"—the outer suburbs and exurbs where the biggest bookstore is Wal-Mart.

Among Republicans, even the intellectuals are anti-intellectual. Of late, some conservatives have come to understand the political importance of being for education. But many Republicans act like they're for education the way many Democrats are for abortion: a choice others should have, but not something they'd approve of personally.

Some conservatives, no doubt, aren't the sharpest tools in the shed. But most just act that way because they got a memo about it from Frank Luntz. Who can forget the priceless Phil Hartman sketch about Ronald Reagan pretending to be a fool when he's doing photo-ops with Girl Scouts, only to transform into an omniscient commander barking orders and spouting throw-weight statistics as soon as the cameras had left?

Is our president learning? A recent Gallup Poll found that 64 percent of Americans think Bush "understands complex issues." That is great news. If an overwhelming majority of Americans think Bush has the capacity to solve their problems, there's at least a chance they will hold him accountable when he doesn't.

We can still get a good laugh out of the Bush era. But now, perhaps, Democrats will stop tsk-tsking over Bush's surprising popularity and start raising the bar for what he has to accomplish. After the last election, we don't have George Bush to look down on anymore. ◆

Bruce Reed is president of the Democratic Leadership Council and was President Clinton's domestic policy adviser.

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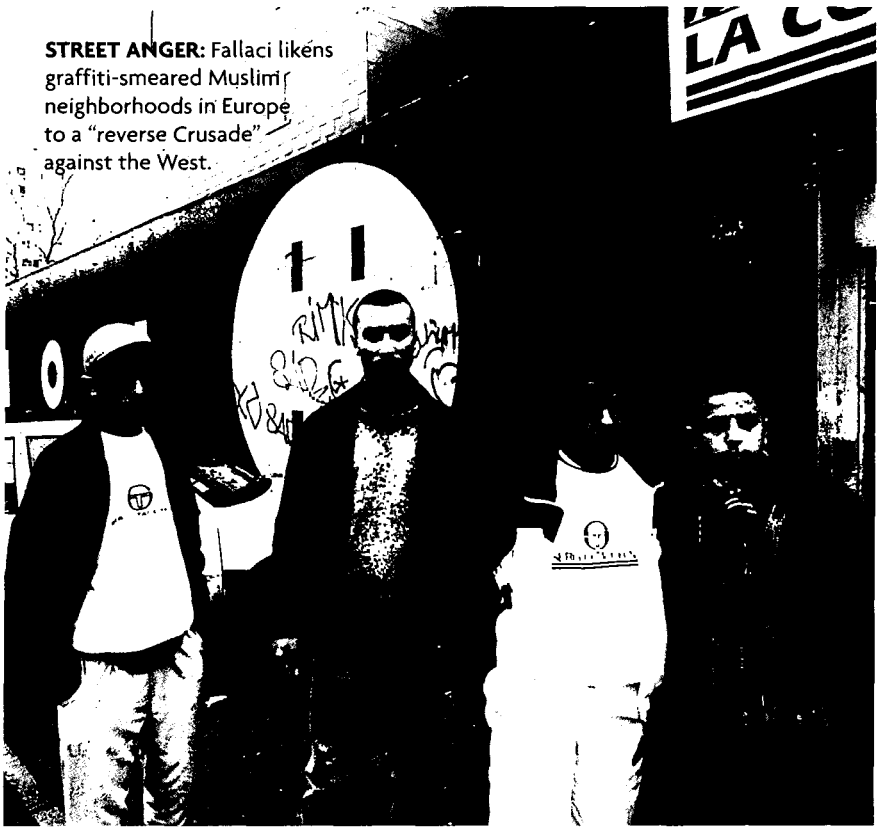

STREET ANGER: Fallaci likens graffiti-smeared Muslim neighborhoods in Europe to a "reverse Crusade" against the West.

Breaking ranks

Two European-born writers attack the blindness of today's Left.

> *by* **Fred Siegel** The events of 9/11 have scrambled long-held loyalties. In the wake of the attacks, an apartment building in the bohemian-by-tradition Greenwich Village put up an American flag. Not surprisingly, on a street where the right of Chinese restaurants to distribute fliers in apartment lobbies can conjure up impassioned debates about the First Amendment versus the rights of privacy, the flag produced an angry reaction in those who thought George W. Bush a greater evil than Saddam Hussein. The surprise was that the issue was won by the pro-flag forces, including a woman who exclaimed, "This is a time unlike any we've ever lived through. The flag stands for our country's beliefs! And I'm a pacifist."

In both the United States and Europe, "the war," notes *The Nation*'s Katha Pollit, "is a real crisis for the left." One response has been an intensification of anti-American and anti-Semitic rhetoric. But others—most notably Oriana Fallaci and Christopher Hitchens, both long-time left-wing stalwarts—have broken ranks and tried to face up to the issues posed by radical Islam and the fascist regime in Iraq.

Oriana Fallaci came of age in World War II, when as a young teenager, she fought alongside her father and uncle against the Mussolini regime. Already well-known in Italy, in the 1960s and 1970s she gained fame worldwide for her reporting from Vietnam, Lebanon, Libya, and Greece in the era of the Colonels. Fallaci has never pretended to objectivity; her interviews and articles have always been passionate and polemical. But her new book, *The Rage and the Pride* (Rizzoli, 2002), stands apart for its scatological fervor and ferocity.

Written after a near-decade-long silence, while she was living in a self-imposed New York exile, *The Rage and the Pride* was conceived in the immediate aftermath of 9/11 as an updated version of Emile Zola's *J'Accuse*. The book, which has become a best-selling sensation in Italy, France, and Germany, accuses the European left, which Fallaci refers to as chirping "cicadas," of willfully ignoring the depredations of both radical Islam and the massive Muslim immigration into Europe. She is enraged by inscriptions smeared on walls in Turin's Arab neighborhoods that read, "Get off. This street is mine." She shouts back: "Wake up, folks, wake up! As intimidated as you are by the fear of looking racist ... you don't understand or don't want to understand that a Reverse Crusade is on the march. ... Aren't Islamic tyrannies as unacceptable and inadmissible as the fascist and communist ones?"

Her sometimes intemperate attacks on Islam and Muslim men (she says they "smell") have led to numerous threats on Fallaci's life. In France, she was put on trial for inspiring hatred by defaming Islam, and she won an acquittal. A conviction would have, in effect, reinstated the laws against blasphemy. But what's been lost in the attention paid to her anti-Muslim polemics is her paean to American liberty directed at the conformism of a dying Europe. In her overheated historical introduction, she tells Italians that they too have a heritage of liberty intertwined with that of the United States, and she recounts the American experiences of Italians from the great Garibaldi, who liberated southern Italy from the Austrians, to the great anti-fascist philosopher of liberalism, Gaetano Salvemini. Later, describing the unified American reaction to 9/11, she admits that she was

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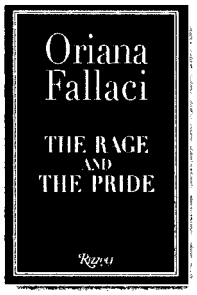

THE RAGE AND THE PRIDE *by Oriana Fallaci* • Rizzoli • 187 pp. • $14.95

"jealous" watching laborers spontaneously chant "U-S-A, U-S-A." "I never saw Italian laborers waving the tricolors and roaring, 'Italy-Italy-Italy.' I see them waving so many red flags, but the Italian flag—never." America, she explains to Europeans, "is a special country" that married the idea of liberty "to the idea of equality."

Fallaci's fears about the mésalliance between the multicultural and postmodern left and the radical (Islamic) right is shared by the sometimes Trotsykist Christopher Hitchens. Hitchens, who spent 20 years writing at *The Nation*, recently resigned over the editors' whitewash of the Iraqi regime. Hitchens' new book, *Why Orwell Matters,* is a defense of clear and honest writing against the obfuscations of Stalinism and its postmodern progeny. To paraphrase Camus on Sartre, Orwell didn't have to hide behind theory, because he had his personal integrity to guide him. Orwell's extraordinary instincts left him with a nose for truth that rarely failed him. Those instincts were honed by his experiences as a colonial policeman in Burma, by living and working among the poor of Paris and London, and by fighting for the Republic in the Spanish Civil War. He was sure that the Soviets had massacred Polish officers in the Katyn forest before the proof was in. He recognized the flakiness of former Vice President and Soviet apologist Henry Wallace long before it was apparent to others. The Polish writer Czeslaw Milosz attested to Orwell's extraordinary capabilities when he wrote that the author of *1984* fascinated the Polish politburo of the early 1950s. They were "amazed that a writer who has never lived in Russia should have so keen a per-

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The political buffet of 2002

by **Ed Kilgore** To the true political junkie, nearly every year is fondly remembered for something of perpetual note, with the last turbulent decade offering an especially rich buffet of electoral shockers, scandals, wars and rumors of war, and the odd constitutional crisis.

But 2001 was, or so we devoutly hope, unique. It began with the most controversial presidential inauguration since 1877 and ended with a profoundly changed nation reacting to the first military attack on the continental United States since the War of 1812.

THE BEST AMERICAN POLITICAL WRITING 2002 *edited by Royce Flippen* • Thunder's Mouth Press • 368 pp. • $16.95.

Veteran journalist Royce Flippen had the prescience, or luck, to choose 2001 as the launching point for an annual anthology of "the best American political writing." (The 2002 in the title refers to the year the book, not its constituent parts, was published.) He draws from a very broad range of newspaper reports and columns, political and nonpolitical magazines, policy journals, book excerpts, and even online postings. With almost limitless material for the author to work with, the book is, not surprisingly, a fine read and a valuable, affordable addition to every political reference shelf. Nonetheless, just about everyone will have legitimate complaints about Flippen's selections and omissions.

Let's get one complaint out of the way: The book is poorly organized, alternating among six sections that track the events of 2001 and five sections of shorter pieces called "The National Conversation" that supposedly cover the deeper substantive issues. Three "National Conversation" sections are actually about big events: the election aftermath, the Bush tax cut, and the war on terror, while the others, for no obvious reason, focus on stem cell research and global warming. The best way to read, or review, the book is to ignore the section structure.

Most of the early selections deal with the disputed election of 2000 and its aftermath. CNN commentator Jeff Greenfield's low-key, self-deprecating account of the election night network television disaster and *The Washington Post*'s succinct summary of the Florida "endgame" are highlights. Vincent Bugliosi's jeremiad on *Bush v. Gore* as a criminal act of treason—or for that matter, Charles Krauthammer's haughty and self-righteous defense of the same decision—are not exactly representative offerings of journalism

Continued on page 44

Ed Kilgore is policy director of the Democratic Leadership Council.

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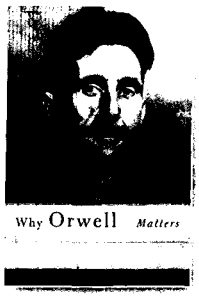

WHY ORWELL MATTERS
by Christopher Hitchens • Basic • 211 pp. • $24.00

Breaking ranks

Continued from page 43

ception into its life."

David Brooks, writing in *The Weekly Standard,* argues that with the collapse of communism, Orwell is no longer relevant. He's mistaken. The continuities are all too obvious in a world where the intellectual left generally insists that there is only one just war—the ongoing confrontation of Third World peoples (including Islamic radicals) with American imperialism. Hitchens tries to play the game of speculating what would have happened to Orwell if he hadn't died in 1950 at the tragically young age of 47. Would he have become an anti-communist or would his distaste for privilege, colonialism, and capitalism have kept him on the left? It's unanswerable. But Hitchens and Brooks miss the more relevant question: What would Orwell, the unsentimental anti-colonialist, have made of Third World dictatorships that talk the language of liberation even as they condemn their people to misery and repression? One can't always tell from Hitchens' book, which wanders off into academic arcana, but Orwell's writings on freedom, patriotism, and the English language are as relevant today as when he wrote them.

It's not clear if Fallaci and Hitchens are straws in the wind or merely isolated examples of shifting political allegiances. But one thing is clear: When socialist political philosopher Michael Walzer asks, "Can there be a decent Left?"—a left that doesn't embrace thuggery—the answer, as far these two authors are concerned, is most certainly "yes."◆

Fred Siegel is culture editor of BLUEPRINT.

Political buffet

Continued from page 43

on the ultimate outcome, though they do remind readers of the hysterical mood of many exhausted partisans throughout the Florida saga.

Aside from the Florida story, the book includes a brilliant bit of insider journalism by Marjorie Williams in *Vanity Fair,* providing the best available analysis of the Clinton-Gore split that bedeviled Al Gore's 2000 campaign and continued to agonize Democrats throughout 2001. There are three separate takes on Sen. Jim Jeffords' party-switch, which are two too many, though they do convey the growing contempt for the Bush White House's political skills that arose before 9/11. The coverage of the Bush tax cut includes two exceptional pieces from the *New Yorker* by Nicholas Lemann.

The editor had the toughest job in choosing reactions to 9/11. Hendrik Hertzberg's *New Yorker* offering was especially well-chosen because it was brilliantly and eloquently written, and at the same time controversial and arguably wrong in its conclusion that Americans should treat the terrorist attacks as a crime rather than an act of war. Fouad Ajami's *Foreign Affairs* contribution on the roots of 9/11 is equally eloquent, but offers a much more compelling analysis of the broader conflict between radical Islamists and the West.

While Flippen does a good job of providing partisan and ideological balance in his selections, he clearly misses a lot of good writers and good publications. Among the pure political reporters and analysts, he somehow avoids several of the very best, including Ron Brownstein, Michael Barone, John Judis, and William Schneider. Among the opinion journalists, on the right, *The Weekly Standard* is overrepresented in this book (though the book somehow omits the *Standard*'s excellent Christopher Caldwell); and there's nothing from *National Review*'s Ramesh Ponnuru, Byron York or Jonah Goldberg. On the left, Flippen includes two pieces from the politically marginal *Nation,* along with a predictable Molly Ivins column on the dreaded "Shrub" and a turgid bowl of legal and political agitprop by the famously spurned law professor Lani Guinier. But he shirks a whole host of center-left political journalists who write regularly for *The New Republic, The American Prospect,* and *The Washington Monthly.* Where are Joshua Micah Marshall, Michael Crowley, Michelle Cottle, Jonathan Chait, and Joshua Green?

There are two online submissions from *Salon,* but none from the broader universe of online political journalism, and no mention of one of 2001's new developments, the Weblog or "blog." And finally, the book's sampling of policy journals is very meager, consisting of a very short environmental tract from the Brookings Institution and two overlapping missile defense pieces from *The American Enterprise.*

All carping aside, Flippen has performed a major public service in digesting a year's worth of output from the chattering classes of American politics. The book's most controversial line is his assertion in the preface that this is "undeniably a golden age of political commentary." Maybe so, but David Brooks of *The Weekly Standard* (whose meditation on "red state" and "blue state" differences does, fortunately, appear in the book) put it best a number of years ago by suggesting that Say's Law of economics (sometimes supply creates its own demand) has a special corollary in punditry: The more people who are out there talking, the more there is to be said. ◆

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Welfare to (steady) work

The cornerstone philosophy of the welfare reform efforts we implemented as governors in the 1990s was to provide a hand up, not a handout. In that same spirit, a major objective of the Bayh-Carper welfare reform proposal now before the U.S. Senate is to empower people with the tools they need to overcome obstacles to getting a job, and to help them succeed once they have one. An Indiana program called "Keys to Work" offers the nation a blueprint for encouraging workers as they make the critically important initial transitions into the work force. It is a set of "best practices" that other states can emulate.

Created in 1996 with the advent of the federal "Welfare to Work" legislation, the program operates under performance contracts with the Indiana Manpower and Comprehensive Training (IMPACT) program and through competitive and formula grants for Welfare to Work. In some ways, it operates like a traditional employment agency, but with some nontraditional clientele and much more ambitious goals. The clientele include some of the toughest cases: non-English-speaking workers, welfare recipients, rehabilitated criminals, former substance abusers, and "deadbeat dads," among others. And the goals are not just to help them find jobs, but also to prepare them for full-time employment and help them tackle the problems that arise while they are transitioning into new work environments.

RESPONSIBILITY HAS REWARDS: Efram Joyner, now a maintenance technician, has regained custody of his children. He credits "Keys to Work" and its financial planning and support services.

Keys to Work creates for job seekers a responsibility and reward system, developed in conjunction with the Indianapolis Private Industry Council: All participants must sign a "Commitment to Self-Sufficiency," a pledge to put the difficulties of their past behind them and to work with diligence to take control of their future. In return, the program helps them recognize their inherent gifts and talents and better utilize their potential in full-time employment.

To help new employees overcome problems that might derail their efforts to get a foothold on the career ladder, program participants receive an individually tailored "crisis contingency plan." It is designed to help with childcare, transportation, housing, nutrition, hygiene, work attire, addiction intervention, anger management, and family counseling.

Keys to Work aims to help strengthen families, offer guidance on building a financial foundation, and provide incentives to keep working. To accomplish these goals, it has created an associate assistance program that offers financial planning seminars, develops budgeting plans to match income with expenses, and uses experts from agencies such as the IRS to educate workers about the Earned Income Tax Credit and other work incentives.

Traditional job placement agencies focus primarily on the financial future of those they place in jobs. Keys to Work, by contrast, has done a remarkable job of making its associates meet their financial obligations from the past—especially child support. Of the 391 clients in Keys to Work, 137 are noncustodial parents who owed $2,433,767 in child support. Those parents have paid back over $500,000 and have committed themselves to meeting their future obligations.

Why are companies willing to take a chance on the employees Keys to Work represents? One reason is the $2,400-per-employee Work Opportunity Tax Credit, which is available for employers who hire individuals moving from welfare to work. Another reason is the full-service assistance that Keys to Work provides its associates—from transportation to wage subsidies to help buying uniforms. But one of the key reasons is the flexibility and long-term support Keys to Work offers these employers. Instead of refusing to place its associates in anything but the "perfect job," Keys to Work teaches them that the best way to find a good job is to build a personal employment record by taking advantage of each opportunity to work.

extras — New Democrats Online — NDOL.org — Search: Extra Welfare

The program's formula has achieved striking results. Of the 391 persons currently enrolled, 93.4 percent have been placed in jobs. As Congress continues to debate Welfare to Work reauthorization, Keys to Work offers a shining example of how families are strengthened, companies well-served, and individual futures improved when people are given the opportunity to succeed. ◆

Sen. Tom Carper (D-Del.) was governor of Delaware from 1992 to 2000. He is the DLC Chair for Best Practices. **Sen. Evan Bayh** (D-Ind.) was governor of Indiana from 1989 to 1997. He is chairman of the DLC.

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A capital loss

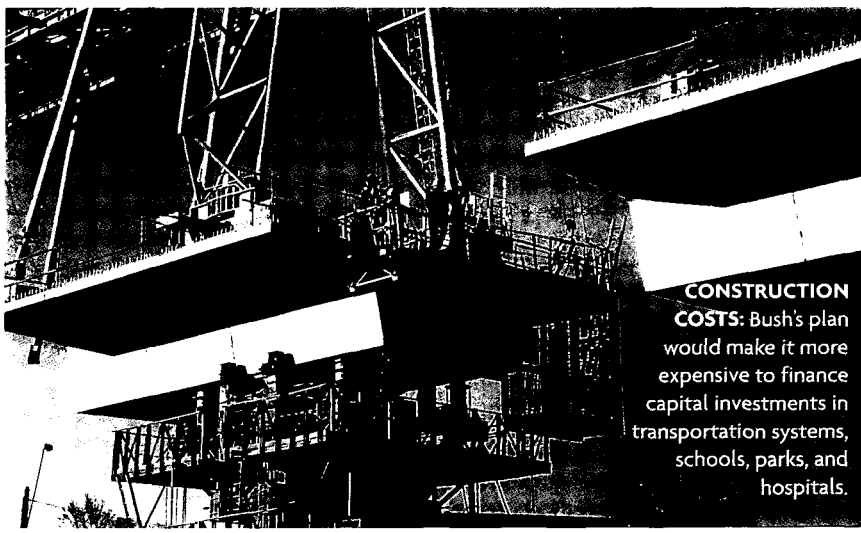
Bush's dividend proposal would make state investments dramatically more expensive.

Even as President Bush's $670 billion so-called "growth" package was getting a very mixed reception in the Congress—even within his own party—it was meeting outright hostility in state capitols.

California Treasurer Phil Angelides did the math and found that the centerpiece of the president's plan—the proposed elimination of taxes on dividends—could cost the 50 states as much as $155 billion over 10 years. California alone, according to Angelides' analysis, could suffer a 10-year loss of $17 billion.

"The president's proposal to eliminate taxes on dividend earnings shakes the very foundation of our road to economic recovery," said Angelides, a New Democrat. "If the plan is adopted, public investments that underpin our economy, here in California and across the nation, will cost billions of dollars more."

The economics of the problem are pretty straightforward. Many investors who want a small but steady source of tax-exempt income have traditionally bought state and local government bonds, which offer tax-free interest yields. The interest advantage makes them an enormously important source of financing for capital projects, and keeps the costs low. But the president's proposal to make most corporate dividends tax-exempt would create a whole new avenue for securing non-taxable income, and a whole new world of competition for state and local governments—boosting their borrowing costs.



CONSTRUCTION COSTS: Bush's plan would make it more expensive to finance capital investments in transportation systems, schools, parks, and hospitals.

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Extra Bush Cuts

Angelides' report, entitled *No Dividends: How Taxpayers Lose Under the Bush Plan,* concludes that making corporate dividends tax exempt would have "two related impacts" on state and local bonds: "It would drive up th interest rates paid by taxpayers, an would reduce communities' bondin capacity for vital public projects."

In other words, public borrowing wi cost more. And limits on public bor rowing mean cities and states can do les in the way of long-term capital projects That will affect a wide range of publi facilities, including schools, transporta tion systems, parks, and hospitals.

The bottom line: Taxpayers will hav to pay more for less. ◆

(Angelides' report is available on th Web: www.treasurer.ca.gov.)

PLAYbook

A menu of ideas for state and local elected officials.

Promoting Responsible Fatherhood

NEW DEM PLAY Encouraging and enabling fathers to play a more responsible role in their children's lives
WHERE IT'S WORKING Washington, D.C. and other cities across the nation
PLAYERS State and local officials

Nearly 11 million fathers live apart from their children, and two out of three fail to pay child support. Some dads are deliberately delinquent, but many fathers, especially of poor children, are poor themselves.

In recent years, a number of organizations have created "responsible fatherhood" programs aimed at helping unemployed or underemployed fathers find work, pay child support, and play a meaningful role in their children's lives.

One model effort is the Non-Custodial Parents Program run by United Water Resources in partnership with Goodwill Industries. Participants earn $15 an hour in paid training to become water meter technicians. After training, they may be hired full-time at wages up to $24 an hour. In its first year, the program achieved a 100 percent job-placement rate, training and hiring 15 new workers.

Read more on NDOL.org. Click "State & Local Playbook".

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A with...

Dan Malloy on the quality of life

Stamford, Conn., 25 miles northeast of New York City, is an economically and culturally diverse community of 120,000 people. Unlike some of its tony suburban neighbors, Stamford is not an exclusive playground for the well-heeled. One-quarter of its households have incomes of $25,000 or less, and one-third of its school-age children qualify for free or reduced-price lunch. Yet it is frequently praised for its high quality of life. BLUEPRINT *asked Stamford Mayor Dan Malloy about the city's challenges and the secrets of its success.*

BP What are the most important factors in the quality of life of a community?

DM: Public safety, education, transportation—and then I think you fall into a category which is a little more difficult to define. It's the look, it's the recreational opportunities, it's the *esprit de corps* of a community.

BP Let's start with public safety. Stamford has had double-digit *decreases* in crime for six or seven years running. What's the story behind that decline?

DM: We did a total immersion in community policing, as far-ranging in its approach to crime as any other place in the United States. We changed the thought processes of our most senior police officers. Everybody had to rethink why they wanted to be a police officer, and what they were trying to accomplish.

BP What did you find?

DM: That making arrests after crime had happened was not what police officers wanted to do. They really wanted to make their communities safer. So we got officers out of their cars. We went to public meetings. We made presentations. We also had a basketball league for young children, and resource officers assigned to high schools on a daily basis, building relationships.

This has been a full transformation of our police department, and it has produced results that significantly outperform other cities. So far this year, [crime is] down 23 percent over last year, and I didn't think that was possible.

BP What are your biggest challenges in improving public education?

DM: Our facilities were a major problem. They were dirty and dark, with leaky roofs and poor ventilation. I convinced the board of education to turn the maintenance function over to city government. That's paid huge dividends. Before, we had two separate bureaucracies, one maintaining school buildings, and one maintaining city buildings like City Hall, truck facilities, and water pollution control. The two bureaucracies were unwilling and unable to call upon each other's services and expertise. Consolidating them creates cost savings and increased efficiencies.

But probably the most significant long-term adjustment we've made is a preschool program where we seek to guarantee all of our four-year-old children a pre-K experience, regardless of their financial circumstances. When I became mayor, 64 percent of our children came to the school system with a pre-K experience. Now we have 82 percent.

BP How about transportation issues? You have some 45,000 people commuting into Stamford to work, and another 12,000 commuting from Stamford to work elsewhere. That's quite a load on the system.

MAYOR DANNEL P. MALLOY (D-STAMFORD), now serving his third term, is a former prosecutor. He ran in part to change Stamford's approach to crime.

DM: We have all of the problems that older cities have. Stamford is 360 years old, and some of our roads were laid out 200 years ago. In addition, small and mid-sized cities like Stamford are dependent on state government to move significant transportation projects forward. And Connecticut's policies have been myopic in their support of people's right to drive. At the same time, they haven't built a sufficient road system, and have basically ignored rail. So now the state of Connecticut is in a transportation panic.

But rather than wait for the state's prescriptions, we're becoming our own transportation consultants. We've been identifying projects that will be the most use to us, and then going directly to the state and federal government to get funding. One is a road project that will alleviate traffic around transit facilities. Another is a new train stop in the city that will allow us to treat the existing fixed rail system almost like a light rail system. ◆

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Every Friday on NDOL.org

Idea of the Week

Differential Pay for Teachers

Some of the most important provisions of the federal No Child Left Behind Act are those requiring all teachers to be highly qualified—not just certified, but able to demonstrate thorough understanding of the subjects they teach—by the 2005-06 school year. That's both an eminently reasonable goal and an especially important one for the schools serving many poor and minority students. Those schools disproportionately employ teachers who aren't equipped to teach students to high standards.

But the question remains: How can schools attract the best candidates for teaching jobs? The obvious answer is by raising teachers' pay. But simply increasing teacher pay across the board—even where it's possible—will not do the trick. That's because "average" pay will not be enough to deal with shortages of qualified teachers in high-poverty schools in subjects like math, science, and special education. Students in these schools and in these subjects are least likely to get a highly qualified teacher.

The problem is that most states and school districts are still locked into a one-size-fits-all system that rewards teachers for their degrees and for their seniority. It rarely takes into account the difficulty of teaching assignments, or the supply of and demand for different types of skills and knowledge. Not only is this system out of sync with the way most professionals are paid today; it's wholly unsuited to ensuring that the neediest students get the best teachers.

It doesn't have to be this way. In a Progressive Policy Institute report, education analyst Bryan C. Hassel has laid out a compelling case for greater differentiation in teacher pay, taking into account factors such as challenging assignments, scarce skills or knowledge, and actual performance on the job. Hassel notes that a number of states, school districts, and charter public schools—whose own funding is dependent on educational results—are experimenting with a diverse array of innovations in teacher pay. And like charter schools themselves, differential pay appears to be very attractive to talented young teachers, who prefer flexibility and the opportunity to excel. While these teachers might not speak with the loudest voices in the policy debates because they're less likely to be active in national organizations, they are the ones who are most important to attract and retain right now.

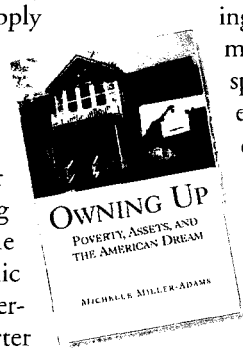
Differential pay is not an alternative to raising teacher salaries overall—it's something we need to encourage whatever the general level of teacher salaries. Moreover, the public will be much more willing to support higher salaries generally if they see serious reforms succeed in the toughest and neediest schools. It's a principle everyone should accept on behalf of the neediest students: rewarding the most effective teachers. ●

Idea of the Week is a regular feature in the Democratic Leadership Council's "New Dem Daily," which is published online at www.ndol.org and is available by email.

OWNING UP: Poverty, Assets, and the American Dream *by Michelle Miller-Adams* • Brookings Institution Press • 202 pp. • $18.95

One particularly damaging side effect of the old welfare system was that it actually discouraged the poorest Americans from saving money. A welfare recipient who somehow managed to bank over $1,000 would lose his or her benefits. But in *Owning Up: Poverty, Assets, and the American Dream* (Brookings, 2002), Michelle Miller-Adams outlines a new, post-welfare reform approach to alleviating poverty that would reverse this type of incentive structure, through policies designed to help low-income people save money to buy homes, pay for higher education, and start businesses.

One particularly successful model for these "asset-building" policies is the Individual Development Account, first proposed by social work professor Michael Sherraden in a 1990 Progressive Policy Institute paper. The idea is simple: Each program participant agrees to deposit a small sum every month in a special savings account. That deposit is matched by the program sponsor—it could be a government or nonprofit entity—under one condition: At the end of the program, the money must be used to purchase a wealth-generating asset, such as a home or a business.



Miller-Adams tells the stories of five of the most promising asset-building initiatives around the country, through the eyes of the people that have benefited from them. From these stories, she takes a series of lessons about the strengths and limitations of asset-building policies. She concludes that the next step is for lawmakers to bring the benefits of these mostly small, local programs to more beneficiaries, through state and national legislation. ●

Where to get it: www.brookings.edu and major online booksellers.

—Kevin Croke

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Governors confront budget deficits

Slumping revenues and ballooning expenditures add up to red ink. *by* **Randolph Court**

As the national economy has slowed in the past two years, state governments have been feeling the pain. Nearly all are in fiscal crisis, according to a pair of reports published in November by the National Governors Association (NGA) and the National Conference of State Legislatures (NCSL). Many states now face large budget deficits that are products of big troubles on both the revenue and expenditure sides of the books. For governors, it's the stuff of migraines and nightmares.

"We have to answer some fundamental questions about the very nature of what we expect from state government," New Democrat Virginia Gov. Mark Warner told his state in a televised address.

Warner took office in January 2002, inheriting a $3.8 billion shortfall in a two-year budget signed by his predecessor, Republican James Gilmore. Sounding the alarm bells early and often with tough, straight talk, Warner, a seasoned businessman, set out to stop the bleeding with a series of amendments to the existing budget. He focused first on reducing expenditures, and insisted that the sacrifices must be widely shared. Warner has been dogged in his efforts to solicit input from legislators in both parties. Through an innovative program called "Ask Why," he has also brought government employees into the process. The program urges them to examine their agency operations from within and recommend areas to be cut or overhauled.

Gov. Mark Warner
Virginia

Most governors will face similarly wrenching situations as they ready their budget proposals for the coming year. They will have to dig deep into a bag of tricks that includes across-the-board spending cuts, layoffs, early retirements, and hiring freezes. Some have been able to dip into rainy-day funds; others are eyeing tobacco settlement money. Many see opportunities for fundamental reorganizations of state agencies. But all face only hard choices.

In the end, those hard choices reflect deeply held policy values. Said Warner: "Our priorities are clear in what we have protected from cuts, at least for now: state police and local sheriffs, basic state support for public schools, long-term care for the elderly and disabled, and health care for low-income Virginians, to note a few examples."

Nationally, revenue streams have been dwindling across the board. Average sales tax collections in fiscal year 2002 were 3.2 percent lower than originally budgeted; personal income tax collections missed targets by 12.8 percent; and corporate income taxes were a staggering 21.5 percent lower than projected, according to the NGA report. There's no relief on the immediate horizon, either. NCSL's survey found 33 states with revenues coming in below forecasts in the early months of fiscal 2003.

Expenditures have ballooned, meanwhile, in no small part because of entitlements and programs that are funded according to predetermined formulas. Average spending on Medicaid, for example—which accounts for nearly 20 percent of total state budgets—grew a whopping 13.2 percent in fiscal 2002. So in the quest to rein in spending, policymakers are being forced to look under every budgetary stone.

New Democrat Gov. James McGreevey of New Jersey took office at the same time as Warner. Like Warner, he has placed a premium on soliciting recommendations from outside his administration. He wasted little time in signing an executive order to create a budget commission that brought together top New Jersey business leaders to help find ways for state government to cut waste and operate more effectively and efficiently. And while McGreevey asked for the business community's advice, he also asked it to share in the sacrifice, taking aim in his first budget at corporate tax loopholes. "With 30 of the 50 largest businesses in New Jersey paying only $200 per year, it is time they pay their fair share," he said.

Gov. James McGreevey
New Jersey

Following on the heels of Warner and McGreevey, another group of New Democrats is now joining the fun after successful gubernatorial bids in 2002: Jim Doyle in Wisconsin, Jennifer Granholm in Michigan, Janet Napolitano in Arizona, Ed Rendell in Pennsylvania, and Kathleen Sebelius in Kansas. Combined, their states are facing an initial fiscal 2003 budget gap of nearly $5 billion, according to NCSL—and all face lower-than-expected revenues in the first part of this year.

But the newcomers have expressed eagerness to apply fresh ideas to meet the challenge. For example, showing their New Democrat stripes, all have proposed plans to harness market forces to start driving down the cost of prescription drugs through bulk purchasing and other means.

State budget woes are a product of myriad factors, and no two states have quite the same set of circumstances. But drug prices are a major problem for most—and an obvious area to rein in costs—because they have been a leading factor in the expanding cost of Medicaid. State spending on drugs for outpatients has skyrocketed at an astonishing average of 18 percent annually over the past three years. Of the many trend lines governors are desperate to reverse, that ranks pretty high. ◆

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Attacking the housing crunch

How local New Democrats are addressing homelessness and affordable housing. > *by* **David Billings**

Red-hot housing prices and stagnant wages have produced an affordable housing crunch in America. In the past two years, according to a recent study by the Center for Housing Policy, there has been a troubling 30 percent rise in the number of working families who spend more than half their wages on housing. For these families, a single unexpected expense, such as a medical bill or a car repair, can lead to financial catastrophe and even homelessness. Indeed, the U.S. Conference of Mayors recently reported that 2002 saw the largest increase in demand for emergency shelter in a decade—with a concurrent rise in demand for food aid.

The challenge of addressing the pressing issues of affordable housing and homelessness falls largely on local elected officials. Recently, a generation of New Democrat mayors and city council members has been applying many of the lessons of the successful welfare reform movement of the 1990s. They have focused on providing people with the tools they need to become more self-sufficient, instead of creating subsidies that enable a permanent way of life.

In San Francisco, a city that has long had a large homeless population, Supervisor Gavin Newsom has turned the support system for homeless people on its head. The city used to offer some of the largest cash payments in the country—up to $395 a month for individuals—but Newsom has championed a plan to focus instead on providing services.

Mayor Bart Peterson
Indianapolis

"Our plan will help provide real care, not inadequate cash, to address the needs of homeless San Franciscans," he wrote.

The cash payments were aimed at providing for people's basic needs temporarily, while they were in transition. But the money was usually insufficient for food and rent, and there is evidence that recipients often used it to buy drugs and alcohol. Now, under Newsom's plan, the $12 million to $15 million previously spent annually on cash payments for individuals without dependents will instead be used to provide them affordable housing with eviction protection, health services, substance abuse treatment, job training, expanded food services, and public transit tokens. The initiative, called "Care, Not Cash," passed on the November ballot with 58 percent of the vote. Through bulk purchasing, the new law will allow the city to obtain the services at lower costs than homeless people would be able to find on their own.

Supervisor Gavin Newsom
San Francisco

Around the country, local elected officials are applying similar principles.

Indianapolis Mayor Bart Peterson is leading a community-wide approach known as "Housing First" that focuses on providing stable housing for homeless individuals. It requires that they use tailored services to address problems ranging from substance abuse to lack of job skills, so they can become self-sufficient. "Over time," Peterson said, "this investment will reduce the strain on emergency services such as jails, shelters, and hospital rooms, which will in turn dramatically reduce overall costs."

Another city making an ambitious investment in affordable housing is San Jose, Calif. There, Mayor Ron Gonzales has spearheaded a $2 billion push to double the rate of production of affordable homes, with a five-year goal of creating 6,000 new units. As part of that comprehensive effort to assist thousands of San Jose families, Gonzales has made it a special priority to help public servants buy homes and settle in the city. His Teacher Homebuyer Program offers deferred payment loans and rehabilitation loans for schoolteachers, with incentives for real estate agents and lenders to grease the wheels in a tough housing market.

In San Diego, the costs of housing are so high that less than 20 percent of the population is able to afford an average home, and more than 50 percent of the city's low-income workers pay more than half of their income on rent. To address this problem, City Councilwoman Toni Atkins has declared a housing state of emergency, designed to bring sustained attention to the problem, along with support for state funding initiatives, state and local bonds, and inclusive housing requirements for new construction projects.

Mayor Ron Gonzales
San Jose

Providing affordable housing is a boost not only for the families involved, but also for city revitalization efforts. New York City Councilman David Yassky has written legislation that will help transform abandoned city-owned buildings along the waterfront into vibrant neighborhoods with low-cost housing with open public spaces. Yassky also wants to make it cheaper to build affordable housing in the city by revising obsolete regulations—some of which continue to address issues as outdated as horse-and-buggy easements. That's a fair trade for a worthy goal. ●

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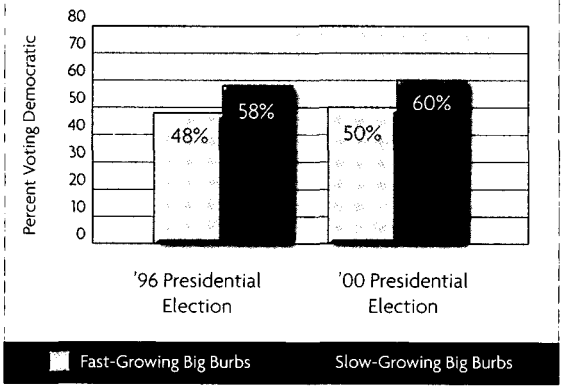
Electoral **SNAPSHOT**

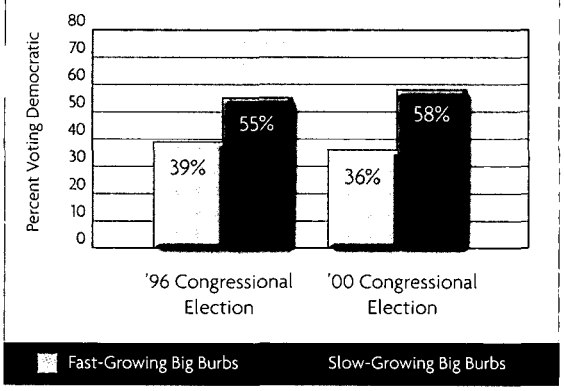
Battle for the 'burbs

One of the big political stories of the 1990s was that Democrats started making major inroads with suburban voters, who in the past have tended to vote Republican. But take a close look. A DLC analysis of heavily populated suburbs finds that many of the older, slow-growing areas have indeed become safe Democratic territory. But the fast-growing areas which are more representative of suburban America as a whole continue to lean Republican.

Support for Clinton in '96 and Gore in '00 Was 10 Points Weaker in Fast-Growing Burbs

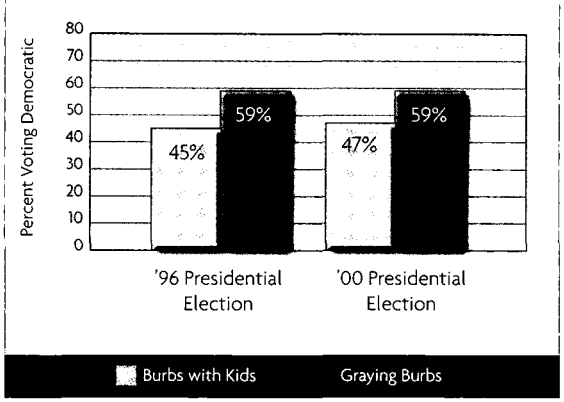


Congressional Democrats Win Slow-Growing Burbs but Lose Badly in Fast-Growing Ones

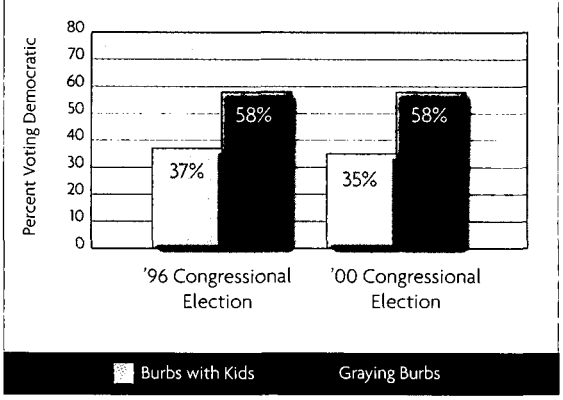


It's an evolving picture. Once upon a time, today's older, stagnant suburbs were new, and still developing quickly. They were the outer edges of metro regions. Young, Republican-leaning families with children lived there. But now sprawl has leap-frogged those areas; politically, the close-in burbs have become more like the cities they border, populated with more young singles, minorities, and older people who lean heavily Democratic. The new, fast-growing suburbs are now farther away from city centers. Young families with children are moving there—and, like their predecessors, they tend to vote Republican.

Support for Clinton in '96 and Gore in '00 Was Weaker in Burbs with Lots of Kids



Support for Democratic House Candidates Was 20+ Points Weaker in Burbs with Lots of Kids



Democrats may wonder whether they gain more voters from the urbanization of old suburbs or Republicans gain more from the explosive growth of newer suburbs. But the better question might be: Why haven't Democrats given young suburban families a compelling reason to vote for them?

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Democrats need a bold stroke

President Bush's latest stimulus plan is about politics, not economics.

It's a bold stroke intended to put the Democrats in a political box. Democrats need to respond with a bold stroke of their own.

The cornerstones of the president's program are the abolition of taxes on dividends—long a Republican favorite—and an acceleration of the individual tax cuts enacted in 2001. His plan is extraordinarily expensive—adding $670 billion over 10 years to an already ballooning deficit—and will have little or no impact on the economy.

The president has his political targets well in sight: his wealthy base, middle- and upper-middle-class voters who own stock, retired people or those looking to retire soon, and conservative ideologues who oppose most government spending.

By continuing the steady Republican diet of upper-income tax cuts, the president is feeding another huge chunk of red meat to his conservative base. That's his version of class warfare—redistributing income from the bottom and the middle to the top.

By appealing to stock owners, he is attempting to reverse the gains President Clinton made among middle-class and upper-middle-class voters and to gain favor among voters who are retired or nearing retirement—voters much more likely to worry about stock prices than the unemployment rate.

By calling for a tax cut of unprecedented size in a time of war and already huge deficits, the president is putting the finishing touches on a long-term GOP strategy of shrinking domestic government by slashing the revenues necessary to pay for it.

For the president, that's a political triple crown with just one bad proposal.

His focus on the stock market is no accident. He's looking at the demographics of the new electorate.

In 2000, 71 percent of all voters owned stock, including more than 80 percent of middle- and upper- middle-class voters and 91 percent of the president's high-income base. Moreover, when voters were asked what they fear most about a recession this year, New Democrat pollster Mark Penn found that twice as many said they feared a stock market drop as feared losing their jobs.

Middle- and upper-middle-class voters are the new swing voters. They voted overwhelmingly Republican in the 1980s, but for Clinton in 1996. In 2000, they voted narrowly for Bush. They voted more heavil Republican in 2002—and that wa the key to GOP gains. How they vot in 2004 could well determine the out come of the election.

Though his plan probably won help, the president hopes the stoc market will go up and that he'll ge the credit if voters see increases in thei 401(k)s or IRAs.

Cutting taxes to starve domesti government has been a GOP staple since the tax revolt tha began with Proposition 13 in California in the 1970s and Pres ident Reagan's tax cut in 1981. By slashing taxes and increasin defense spending, Reagan sent the deficit soaring at the sam time he was accusing the Democrats of "taxing and spending. As a result, less money was left for necessary domestic spending

Ironically, by practicing fiscal discipline and "growing" th economy, Clinton turned the Reagan-Bush deficits into giganti surpluses and gave progressive government another chance.

But the 2001 Bush tax cut, the Bush recession, and th costs of the war on terrorism quickly erased the Clinton sur plus and recreated an exploding deficit.

With the president asking for more defense funds, the wa on terrorism ongoing, war looming with Iraq, the natio already entrapped in huge deficits—and given the president' own conservative ideology—it seems clear that one purpos of his new plan is to starve domestic government. So muc for compassionate conservatism.

The president may not be helping the economy, but he' trying to help his prospects for re-election. He's trying to se up a choice for the voters between his tax cuts and Democrati spending. If Democrats let him get away with that, they're cer tain to lose.

The president has made a bold political stroke. Rather tha getting caught up in a battle over the details of his plan—a fight he would be bound to win—Democrats need to respon with a bold stroke of their own. We need to change the con text of the debate to one favorable to us.

We need an innovative agenda grounded in fiscal disciplin and reform and in investment in our safety, our economy, an our people—an agenda that will make our country stronger safer, and more prosperous.

We need to make what kind of a country we want the issu of the next campaign. If we do—and our candidate can offe a compelling answer—we can beat the odds and send th second President Bush into early retirement. ◆

Al From is founder and CEO of the Democratic Leadership Council.

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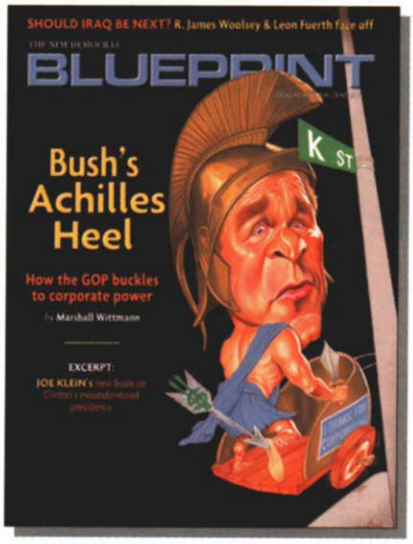
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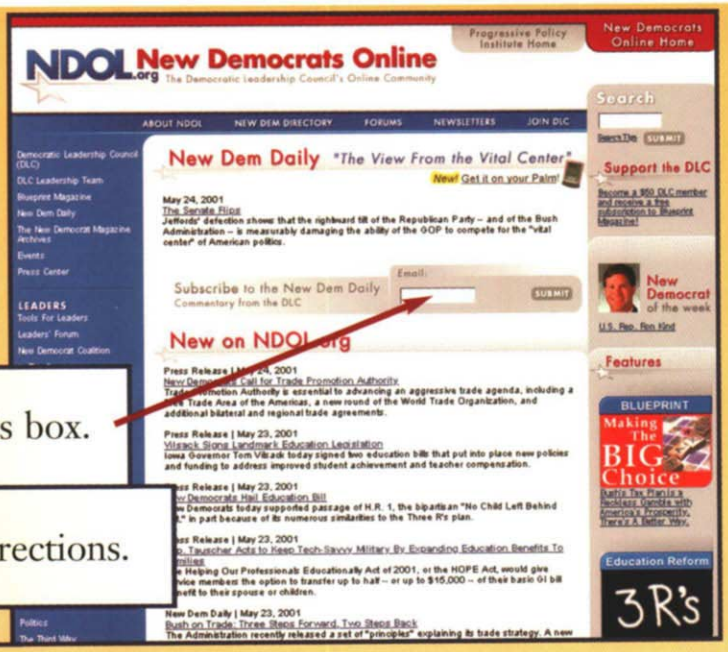

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